# FINANCIALTIMES

Start the week



Global car market South Korea's vaulting ambition

**Lucy Kellaway** Fun and laughter in the workplace



Cybersoaps could be really big

Brussels hopes for E European nations to join EU by 2002

The European Commission has identified 2002 as the earliest probable date for accession of former communist countries in central and eastern Europe to the European Union. There were widespread hopes that the first wave of countries would be admitted in 2000, but the presumption in Brussels now is that an advance guard of the Czech Republic, Poland and Hungary will not join until at least 2002. Page 18

**Bosnian Croats stay with own state:** Bosnian Croats have ignored the Dayton peace accords, naming a new separatist government for their self-styled state in Bosnia, local radio reported. Page 2; Editorial Comment, Page 17

IG Metall official expected to step down: Werner Schreiber, a leading official of IG Metall, is expected to step down as treasurer of Germany's biggest trade union after a magazine report that it had lost around DM130m (\$84m) on property deals tion, it relating to its new Frankfurt headquarters. Page 18

fateful European Results Analysis

Tod The Financial Times today publishes a comprehenalve analysis of European company results for 1985. The review, by the FT's industrial specialists and Lex team, covers 20 industries and details the top companies by turnover in each sector.

Austrian economics minister named: Johann Farnleitner, a deputy secretary general at the Austrian Federal Economic Chamber, was named Austrian economics minister to succeed Johannes Ditz, who stepped down last week. Page 2

Brokers raise growth forecasts: Leading broking houses have lifted economic growth fore-casts for Germany and France, Europe's most important economies, and expect stronger growth majorit; boost shares in some sectors. Page 19; European the form Kalal results, Pages 23-25

a last act. when, the contract catering group, is to sworn testingee that it is paying FFr590m (\$113.5m) to lary Rodhalt the interest in Eurest France held by its question of dexho. Page 19

Law Firm bil after a long ables to increase property holdings': vate quarte cent of UK companies are planning to their property holdings over the next six Committee a survey found, with the strongest demand the majority come from the retail sector. Page 8

finger of The to reverse arms spending cuts: Clin'Greece's Socialist government has reversed plans to init: cut defence spending, and is preparing to announce im: new weapons purchases in response to a Turkish in 1 arms build-up and what it sees as a threat to Greek depuslands in the Aegean. Page 2

coun **Churchill**, one of the UK's largest telephone-based mer notor insurers, is setting up a network of garages Re o do crash repairs for the company's 600,000 motor men, policy holders in an effort to control costs in the market. Page 18 per market. Page 19

Mrs BICC, the international cables and construction may company, has signed a £17m (£26m) deal to build a deputower cables plant in India. The UK-based group staff, as linked with RPG, the Indian cables manufacthe lurer, to tap the country's fibn-s-year cables mar-

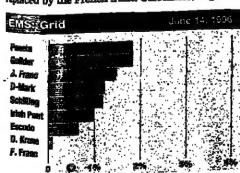
Successful Ariane lift-off: Europe's 87th Pir Successful Arisane assets into orbit after a first launch since the failure 11 days earlier of its new Ariane-5 rocket. Page 4

Time running out for British beef accord: The UK beef crisis enters its most crucial week since the ban was imposed on March 27, with a frantic round of meetings fixed in an attempt to reach agreement by Friday. Page 18

Euro 96 football results: In the Ruro 96 football competition Germany beat Russia 3-0 in their group match in Manchester and Croatia beat Denmark 3-0 in Sheffield. Spain drew 1-1 with France on Saturilly in Leeds and England defeated Scotland 2-0 at Vembley. Spat the Balkan banker, Page 12

Setor racing: Britain's Damon Hill, driving a Williams, won the Canadian Grand Prix. Jacques Villeneuve, also driving a Williams, finished second with Jean Alesi third in a Benetton.

European Monetary System: The Spanish Peseta moved to the top of the EMS grid last week peseta moved to the top of the Land grainest week although the spread between the weakest and stron-set currencies in the grid was broadly unchanged. The Irish punt fell three places as it was dragged lower by the weakness of the pound sterling. The lanish krona moved off the bottom of the grid to be replaced by the French franc. Currencies, Page 31.



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of current agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

# Global effort to support copper UK bomb

By Kenneth Gooding, Mining Correspondent, in London

Central banks and regulators act after Sumitomo's \$1.8bn loss

A co-ordinated effort, involving

The banks and regulators are hoping to restore reasonable sta-bility to the London Metal Exchange's copper market and prevent a potentially disastrous drop in the metal's price that would have financial repercussions around the world.

The efforts - understood to involve the Bank of England, the Bank of Japan and regulatory authorities in the UK and the US - were intensified at the weeknical reasons, much of this month's futures business will be completed in a few hours this

Meanwhile, Sumitomo Corporation was forced to deny yesterday

It is believed the main thrust of the international effort is to

group had contracts on between 50,000 and 100,000 tonnes of cop-

If a settlement could be agreed, it would prevent a resumption of upper hand. Sumitomo had other competent traders apart from Mr Hamanaka and control of a substantial part of the LME copper

One trader pointed out: "Sumitomo's president has contacted all counterparties to reassure them that all his group's outstanding obligations will be met, but he has no reason to let Sumitomo be taken to the cleaners by

"To use a military analogy, as a defending force you don't roll over against an attacking force, you make sure you take a few of them with you."

Meanwhile, Mr David King, the LME's chief executive, again yes-terday denied that he had not don trader reported that Mr Hamanaka had asked for a backdated invoice for a fictitious copper trade.

Mr King said the documents were passed by the LME to the UK Securities Investment Board and the Securities and Futures Authority and discussions also took place with Sumitomo. But he was not at liberty to reveal

When the dust settles, there will be a good story to tell of regulatory and investigative systems working very well indeed," Mr King said.

Move to avoid meltdown, Page 3

## stance on Ulster talks

By John Kampiner in London

A restoration of the IRA's original ceasefire announcem will no longer be enough to allow Sinn Fein, its political wing, into all-party talks in Northern Ireland after Saturday's bomb attack in Manches-

ter, the British government indi-cated last night.

As several of the more than 200 injured continued to receive hospital treatment, politicians in London, Dublin and Belfast significantly hardened their stance egainst republicans

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Unionists called for a return of internment, including the arrest of senior Sinn Fein strategists. Irish leaders openly cast doubt on the ability or willingness of Mr Gerry Adams, the Sinn Fein president, to engage in what remains of the peace process.

The Irish government meets tomorrow to review its approach lowards Sinn Féin. Mr John Bruton, the Irish prime minister, said the bomb -

chester's main shopping area as the city was full of tourists, including thousands attending the Euro 96 football tournament - was "a slap in the face to people who've been trying, against perhaps their better instincts, to give Sinn Féin a chance to show that they could persuade the IRA to reinstate the ceasefire".

Large areas of the north-west-ern city were still cordoned off last night, although the Gerany v Russia football game took place as planned.

Manchester's chief constable

said the device, made up of up to 1,000lb of fertiliser-based explosive, was at least as hig as the one which devastated London's Docklands. That attack, on February 9, marked the end of the IRA's 17-month ceasefire.

Mr Michael Howard, home sec retary, said: "No one is going to be taken in. You can't have a situation in which there's a bound in Manchester on Seturday and the announcement of a csassfire on Monday and people

Continued on Page 18 The Manchester bomb, Page 6 Editorial Comment, Page 17

central banks and regulators in the UK, US and Japan, has been launched to prevent a copper market collapse in the wake of Sumitomo Corporation's revelation that a senior trader concealed losses of \$1.8bn.

end because pressure on prices

Yeltsin set

for second

round fight

in race for

presidency

President Boris Yeltsin and Mr

Gennady Zyuganov, his commu-nist rival, looked set for a head to head battle for the Russian presi-

dency in a second round of vot-ing next month, as early exit

polls and partial results put the two men far ahead of the other eight candidates.

With 7 per cent of the ballots counted, the Central Electoral Commission said Mr Yeltsin was

in first place with 32.3 per cent, closely trailed by Mr Zyuganov at 29.14 per cent. In a surprisingly

strong performance, Mr Alexan-der Lebed, a retired general run-ning on a nationalist ticket, was

in third place with 15.87 per cent.

A CNN exit poll of 10,000 voters gave Mr Yeltsin the support of 35 per cent, Mr Zyuganov 29 per cent and Mr Alexander Lebed 15

By Chrystia Freeland and

John Thornhill in Moscov

will reach a peak today. For technical reasons, much of this Traders suggested the Japanese per to be unwound.

that its president, Mr Tomiichi Akiyama, was planning to "virtually resign" as a way of taking responsibility for the losses. There were previously reports that Mr Akiyama planned to retreat to an advisory post, depending on how the investiga-tion by US and British authori-

the ferocious battle for supremacy in the LME's copper market that has been going on for some weeks between US hedge funds, intent on driving the price down. and Sumitomo which, when Mr Yasuo Hamanaka, its former senior trader, was in charge, was determined to keep the price up.

Traders pointed out yesterday that the US funds - Mr George Soros's Quantum fund and Mr Julian Robertson's Tiger fund did not necessarily have the

Early election results indicate head-to-head contest with communist rival Zyuganov

President Boris Yeltsin (left) and Gennady Zynganov, his chief rival in the Bussian presidential election, cast their hallots yesterday at Moscow polling stations. Early exit polls suggest the pair will face a second round of voting to decide the presidential race

off after his party's poor showing in December parliamentary elec-

Preliminary returns from the Russian Far East and Siberia showed Mr Yeltsin slightly ahead that Mr Lebed would make it into of his communist opponent in third place and have already Kuzbas, a mining area in the heart of Siberia, Mr Zyuganov led with 40 per cent of the vote,

almost double the president's Early indications are that the biggest surprise of the ballot could be the emergence of Mr Lebed, a charismatic leader whom many analysts had written

tions, as one of Russia's most important politicians.

Mr Yeltsin's aides were hoping

the maverick general before the decisive second round of voting. Early estimates suggested that 60-65 per cent of voters had cast their ballots, a lower than expected turnout which some of Mr Yeltsin's aides feared would hurt the president's chances for re-

vote in their country's first democratic selection of a national leader faced a critical choice between the bold but imperfect reforms launched by Mr Yeltsin five years ago and Mr Zyuganov's

Mr Yeltsin's team, which has

fought the campaign with an unexpected ferocity, became flusipation. A low voter turnout is thought to favour the communists, whose supporters are more likely than those of Mr Yeltsin to

Although political campaigning is banned on election day, the president's backers made an 11th hour plea to get out the vote. In a comment repeatedly broadcast on the main television channels, Mr Victor Chernomyrdin,

sians "not to trade your future for an extra hour in front of your television sets or at your dachas

Bitter memories cloud vote in Volgograd, Page 2

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### Netanyahu signs two deals in race to form government By Julian Ozsnne in Jerusalem on the incoming prime minister to respond to terrorism days Netenvahu both on the future

Israel's prime minister-elect, Mr Benjamin Netanyahu, who is racing to put together a government ahead of today's opening of parliament, yesterday signed agree-ments with two key coalition partners. But he failed to resolve a crisis with a third party vital to giving his administration a parliamentary majority.

Mr Netanyahu was last night also facing a deepening crisis within his own rightwing Likud party after he asked Mr Jacob Frenkel, central bank governor, to join his government as finance

The move further reduced top cabinet jobs available for Likud leaders, including Mr Ariel Sharon, the hawkish former general who has threatened to stay out of received the Treasury job. The prime minister-elect's

scramble to form a government came as an Arab youth killed an Israeli policeman in the West

Bank, putting further pressure

Guida to the Week

before Arab leaders gather in Cairo to co-ordinate Middle East peace policy.

Mr Netanyahu signed coalition pacts with the National Religious party and the ultra-orthodox Shas, two Jewish religious groups which will be the back-

bone of his fragmented coalition. The agreements gave Mr Netanyahu control of 51 of parliament's 120 seats. Mr Netanyahu, who remained hopeful of meeting his self-imposed deadline, was expected to hold talks throughout last night with potential gov-

ernment partners. Leaders of Yisrael Ba'Aliya, the party led by Mr Natan Sharansky representing immigrants from the former Soviet Union, said talks with Mr Netanyahu were "completely deadlocked", preventing the incoming prime minister from an early announcement of his administration.

government's policy guidelines on religion and on the distribution of cabinet posts. He said he could not under

stand how Mr Netanyahu could go ahead and sign bilateral agree ments with religious parties that would determine policy guidelines unacceptable to his party.
"With what we have been offered it is impossible to fulfil any of our pre-election promises

and there is a possibility that we will stay in opposition," he said. "The only way we will be able whole negotiations were renewed and everything signed today was reopened for discussion.

Without Yisrael Ba'Aliya's seven parliamentary seats it is unlikely that Mr Netanyahu will be able to form a majority gov-ernment behind his "peace with security" policy.

Political commentators said yesterday's agreements were clearly intended to force Yisrael Mr Yuli Edelstein, the leading Yisrael Ba'Aliya negotiator, said Ba'Aliya into accepting Mr Netanyahn's terms. his party disagreed with Mr

CONTENTS

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## Greece to reverse arms spending cuts

Kerin Hope in Athens

Greece's Socialist government has reversed plans to cut defence spending, and is preparing to announce new weapons purchases in response to a Turkish arms build-up and what it sees as a threat to

Greek islands in the Aegean. But in doing so, Greece may have to increase its government borrowing and imperil its qualification for European

Mr Gerasimos Arsenis, the Greek defence minister, said in an interview at the weekend that yearly military spending over the next five years would rise well above the current 4.6 per cent of gross domestic product - one of the highest ratios among Nato members.

"The theatre of threat is the Aegean." Mr Arsenis said. referring to Greek disputes with Turkey over seabed minerals, airspace control and Greek troop deployments on some Aegean islands. "We haven't pushed the panic button, but we've got to be ready for any eventuality."

While relations between the two Nato allies countries have been strained for many years, Turkey's latest move in questioning Greek sovereignty over Gavdos - an inhabited island which Mr Arsenis said "is close causes concern even.

erning Panhellenic Socialist

The Gavdos incident, which caused confusion at a Nato foreign ministers' meeting this month, followed a military Turkish troops removed a Greek flag from an uninhabited islet close to the Turkish

dents had forced the government to abandon its policy of cutting the defence budget by postponing weapons pur-chases. But he stressed that cost-cutting measures in the of units and closures of military camps around Greece, were still on track.

Mr Arsenis conceded a sharp rise in defence outlays would make it more difficult for Greece to reach the Maastricht targets for joining the EU's planned single currency. Fresh borrowing to cover weapons purchases would push up public debt, already over 110 per cent of gross domestic product, while an increase in debt-servicing costs would add to the

budget deficit. He said new weapons were needed "to keep the relative balance of power [in the Aegean] the same as in the past few years, taking into account Turkey's armaments programme" which covers acquisitions of naval vessels. fighter aircraft and new mis-

# Bitter memories cloud vote in Volgograd

Some who should fit the locked up by Stalin for a year in a ran for president, Communists from Communist stereotype tell Sander Thoenes that they voted for Yeltsin

Mr Andrei Alexeyev 85, should be a typical Communist voter. He helped defeat the German army at Stalin-grad, now called Volgograd. His veterans pension, \$140 a month, is far from sufficient, and he is shocked by the crime and corruption accompany. ing market reforms in Russia.

But Mr Alexeyev was also a prisoner of war, and he saw how British soldiers were fed when they liberated his camp. "We would not have eaten like that even if real communism had ever come to Russia," he said with a

When he returned home he was

concentration camp, along with mil-lions of other soldiers who were thought to have been corrupted by the capitalist allies they met. "Stalin was so incredibly cruei," Mr Alexeyev said. 'I have hated the Communist party ever since."

Like many voters who should fit the communist stereotype, Mr Alexeyev voted for Mr Borls Yeltsin, the incumbent, in presidential elections yesterday. A quick survey of 50 voters in Volgograd showed Mr Yeltsin far ahead of Mr Gennady Zyuganov, his Communist rival, although polls have proven unreliable in Russia, partly because Mr Zyuganov's supporters are loath to talk to pollsters.

And this is Volgograd, part of what even Mr Zyuganov calls "the Red Belt". In 1991, when Mr Yeltsin first

Volgograd led a nationwide attempt to foil his bid. Out of 24 seats in the city council 22 went to Communist candidates in a local vote last year. Many work at two giant factories where production has collapsed, the working week is shortened and salaries are four months overdue.

This city of 1m, the former Stalingrad, was where the Soviet army lost more than 1m men withstanding the Nazis and where virtually all the buildings were destroyed in 1942. Its reconstruction was a symbol of hope for the Soviet Union.

Many of those who said they had voted for alternative candidates said they would vote for Mr Zyuganov in the second round. But if Mr Zyuganov fails to sweep cities like Volgograd outright, his chances of beating Mr

Few in Volgograd hold any warm feelings for Mr Yeltsin, but his scare tactics, with predictions of civil war and Stalinist camps in the event of a Communist victory, appear to have

"I can't say I'm satisfied with him". said Miss Antonina Maidanova, a middle-aged physician. "When the reforms started it was awful, but now things are finally settling down, the shops are full. I don't want any more tension. Anything new frightens us."

"We are deeply unhappy," said Miss Yekaterina Saifutdinova, 49 and unemployed. "They have robbed everything in sight. But if the Communists win, they will start stealing, too. We are all afraid that civil war might break out, and that's why we will vote for Yeltsin."

music as unions

protest in Bonn

These nit-wits in pin-striped

suits do more damage to the

economy in one day than all

the malingerers in the past 10 years," Mr Dieter Schulte, head

of the German trade union fed-

eration (DGB), declared to the 350,000 trade unionists crowded

in front of Bonn university and

in nearby squares of the old

His audience on Saturday

had come from all over Ger-

many to protest: the elite of

ious to defend their middle class lifestyles by protesting against government plans to

cut public spending and trim

Germany's generous welfare

They were men and women

who had worked hard to obtain

their vocational qualifications and who had got used to rising incomes, a shrinking working

week and six weeks' paid holi-day a year during the prosper-ous 1980s.

They now saw these gains threatened by government plans to cut welfare entitle-

ments, such as sick pay rules that result in people being paid more for not working than for

doing their job, or by bosses who have begun to talk of "shareholder value" instead of

Mr Schulte was given his

first genuinely enthusiastic

round of applause as he con-

lemned the "nit-wit" managers

behind recent corporate losses

But when Mr Schulte prom-

ised more protests in future,

there was no sign of an upsurge of militancy. Perhaps

that was because the speeches

gave way to an interlude of

socially aware pop music.

Maybe it was because every-

body knew Chancellor Helmut Kohl had declared he would

not be influenced by the dem-

the city's inhabitants - in one

of the largest demonstrations

of Germany's postwar history
- the crowds that gathered
were notably devoid of passion.
Mainly male and middle-aged,

By Eric Frey in Vienna

Mr. Johann Farnleitner, a deputy secretary general at the Austrian Federal Economic

Chamber, was named Austrian

economics minister yesterday. He succeeds Mr Johannes Ditz.

who stepped down last week

amid frustration about the

Mr Farnleitner is a member

of the conservative People's party, which is entitled

slow pace of liberalisation.

and scandals.

city centre.

some with wives and children

in tow, they displayed the

same quiet discipline as during the week when tending

machines in their factories or

shuffling papers from in-tray to filing cabinet.

They queued patiently at the sausage stalls. The applause

for Mr Schulte, and for Mr

Roland Issen, leader of the German office workers' union (DAG), lasted seconds rather

The demonstration was an

impressive display of logistical skills. "The DGB organised it

all in a Prussian way," said an

But many who had travelled

to Bonn at union expense on 74

special trains, 5,400 buses and

two Rhine steamers seemed

content just to enjoy a day out

in the summer sun. The only

disturbance came on the

fringes when 400 to 500 self-styled anarchists lobbed

The demonstrators' bright

new baseball caps told of dis-tant loyalties. IG Metall, the

metal workers union, had provided bright red hats for its

made; and re-ligain for members of IG Chamie, the chemical workers funion, who set out at 5.30aps from Augsburg in the scuth.

By the time Mr Issen came to the microphone to call the government.

grnment's "so-called pro-

gramme for more growth and

jobs a rape of the German language" and a "huge swindle"

the troops had started melting away to rejoin the buses and

Would it have been different

if a gifted orator, such as Mr

Oskar Lafontaine, the leader of the Social Democratic party, had addressed the crowd? Mr Lafontaine and a handful

of SPD politicians were there but the trade union organisers

had decided that no politicians

should speak. Mr Lafontaine contented himself with signing

coalition agreement. Mr Farn-lettner is not widely known and has little political experi-

But several more prominent

political and business leaders

took themselves out of the running in recent days.

The Federal Economic

Chamber, the country's biggest

business association, openly

insisted on a big say in the

cabinet appointment.

to Bonn.

**Business official named** 

ence.

as Austrian minister

than minutes.

man afterwards.

Another explanation for Mr Yeltsin's apparent success in cities such as Volgograd is the low turnout in previous votes, the Communist electorate is the most disciplined. Only a presidential vote is likely to get the more apathetic voters to the polling booths. "I never voted in my life, but this time I will," a taxi driver said. "I will vote for Yeltsin."

Still, widespread dissatisfaction with crime, poverty and the war in Chechnya have been considered likely to force Mr Yeltsin into a widely predicted run-off in the second round against Mr Zyuganov, tentatively

scheduled for July.

"Yes, we stood in line," said Miss Yekaghrina Tokareva, an elderly devout Communist. But at least we ate sausages. Now we just stand there and look at them."

# Bosnian **Croats** stay with own state

By Laura Silber in Belgrade and Harriet Martin in Mostar

Bosnian Croats have ignored the Dayton peace accords, naming a new separatist government for their self-styled state in Bosnia, local radio

reported yesterday. The move comes after the international community bas given the go-ahead for elec-tions to be held by September 14 in Bosnia, in spite of the unstable political climate and numerous violations of the

Dayton agreement. In another ominous sign, Mr Haris Silajdzic, a popular for-mer prime minister, was attacked yesterday by supporters of the ruling Moslem Party of Democratic Action (SDA) as he launched his new indep

dent Party for Bosnia.

Mr Silajdzic was recoafter being hit on the porters loyal to Bosnia dent Alija Izetbego

Cazin, northwestern B.
The Organisation for rity and Co-operate Europe, which is res. for organising the wa and is set to certify this that a free and fair poll an held in Bosnia, blamed local Moslem authorities for the attack. A statement called the stteck a "bistant failure" to guarantee "the most elements" rights of citizens and the basi principles of the democrati

In another setback for the Dayton pact, Mr Pero Mark. ovic on Saturday was named prime minister of Herceg Bosna, the ethnic state th Croats agreed to disband la November. This could unde mine local elections which as Mostar, southwestern Bosnia and are seen as a crucial test for the prospects of the Mos-lem-Croat federation.

The divided town remains a painful symbol of the yearlong war between the Croats and the Moslems, which ended in February 1994 when Washington brokered the deal set-ting up the federation.

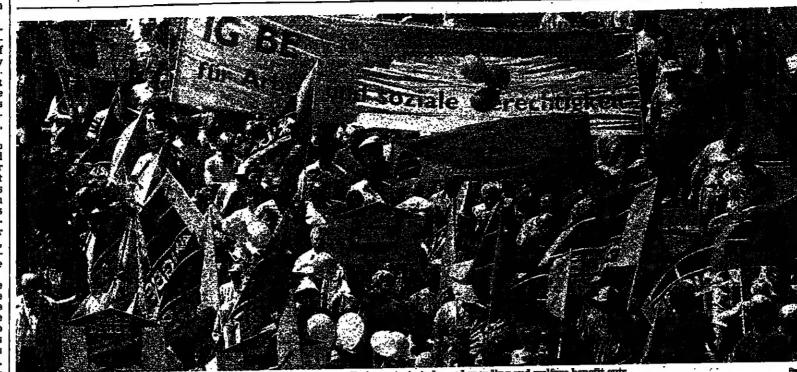
stones at the police, injuring Separatist Croats still claim Mostar as the capital of "Her-ceg-Bosna". The elections at the end of the month are seen as an indicator of the political regunitment to the federation. But most observers expect the poll to highlight the wearness members from Ingoistadt. 12 : Bavaria, where Audi arts are made; and rejugain for memof the alliance, with the results confirming the war. time division of the city into Croat and Moslem halves.

Mr Ricardo Casado, the administrator of Mostar, yes terday played down the signit. icance of the "government" reshuffle. Mr Hasan Mora. tovic, the Bosnian prime minister, yesterday condemned the Croat move as "illegal", adding that it exposed the lack of Croat commitment to the newly created federal govern-

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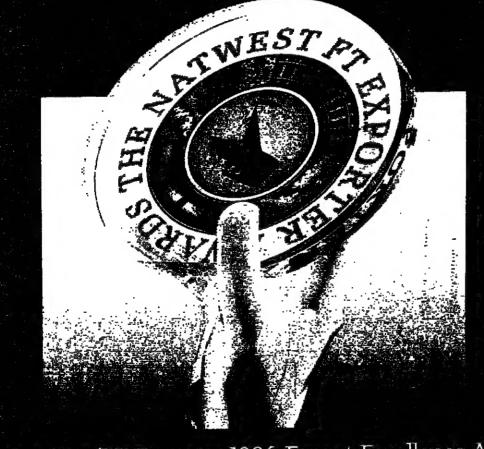
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strators from across Germany gather in Bonn for yesterday's rally in protest at planned s Sun, sausage and

# Who dares, wins.



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Mining Correspondent

Experienced metals traders yesterday were still scratching their heads, wondering just how it was possible for Mr Yasuo Hamanaka to have concealed losses totalling \$1.8bn over 10 years as Sumitomo Corporation claims.

Many traders have concluded that it was near to impossible to hide such big losses for so long. They expect further explanation to come from Sumitomo on the precise nature of the trades and on whether other staff at the company were aware of the decep-

The traders suggested there would have had to be continuing silence from the counter-

he potential for wide-

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Tadus !

The Months

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sumably, making profits.

size," one London trader said

"It is simply not possible to lose all that money unde-tected, the trader added. Peron trading.

the opposite ends of Mr Hamanaka's trades and, pre-

Also, "someone at Sumitomo presumably was signing all the cheques that had to be sent off to cover the losses and, if that someone was Hamanaka. someone else surely would have noticed sums of that

haps, however, the figure was based on Sumitomo's view of potential losses if the group simply wound up its copper positions and did not attempt to limit its losses by carrying

At the weekend, Sumitomo rejected Japanese press criti-cism that it should have acted earlier. The company said: "We have disclosed all the information that we possibly can at this time."

losses can be hidden, at least for a while, was ably demon-

In practice this means that, instead of paying up at the end One way that copper market of a contract, it is rolled forward again, but at the original price rather than the price prestrated by Mr Juan Pablo Davvailing in the market.

Many traders have concluded that it was near to impossible to hide such big losses for so long

International effort seeks to avoid meltdown

Laurie Morse and Kenneth Gooding examine moves to restore stability in the world copper market

ila, who was trading for Codelco, the state-owned Chil-

Exchange trading practice

ean group. He lost about \$175m when the market went through a volatile patch in 1993. He employed to his advantage an esoteric London Metal

make use of this system, but traders suggest it can also be used to disguise, temporarily, loss-making positions.

ries at historical prices".

LME brokers prefer not to give these "carries" because they tie up credit lines and

There are genuine reasons

why some customers want to

take some financing. So the service is provided only to substantial customers with deep

Both Codelco and Sumitomo fit that description. Mr Juan Villarzu, who took

over as Codelco's chief executive in the management shake-up that followed the revelation of the losses, said: "Had you had the opportunity to examine the trading contracts which Codelco entered into during 1993, you would have been amazed at the number of transactions whose prices had no direct relationship with the market prices ruling at the date and time of the transaction."

In view of Mr Davila's efforts, and because of the protests, the LME tightened up the rules governing "carries at

Since the rule change, historic price carries have to be approved at the highest possible level at the organisation wanting to use the system and cannot be employed by a trader on his own.

Mr Raj Bagri, chairman of the exchange, said that the LME would look again at its procedures in the light of Sumitomo's disaster to see whether more changes were needed. He was also concerned that

the LME had jurisdiction only

over its own members and not over other users of its markets. Neither Sumitomo, nor the agents it used most heavily, Winchester Commodity Group in the UK and Global Metals of New York, are LME members.

concentration of June business

in copper is expected to be

done in a few hours this morn-

that the "dangerous" copper

price - one that could trigger

another steep drop today - was

\$1,900 a tonne or about 85 cents

a pound. The close on Friday

was \$1,980.
At \$1,900, investment banks that have granted options to

North American producers

would have to start selling cop-

per futures to keep their books in balance and to avoid having

to buy large tonnages of the

Traders suggested yesterday



Jacob Frenkel: as finance minister would strengthen moves on macro-economic reform and budgetary restraint

## Netanyahu move signals deeper economic reform

Israeli prime minister-elect Mr Benjamin Netanyahu's deci-sion yesterday to ask Mr Jacob Frenkel, central bank governor, to be the next finance minister signals his determination to deepen macro-economic reform and pursue budgetary restraint.

The announcement also eveals Mr Netanyabu's ability to resist demands by powerful members of his own rightwing Likud party, including Mr Ariel Sharon, the hawkish former general, who threatened to stay out of a government unless he received either the defence or treasury portfolio.

A central bank spokesman said Mr Frenkel was considering the offer "seriously" but was waiting to see how Mr Netanyahu resolved other complicated issues surrounding the formation of a coalition gov-erument of rightwing, religious and immigrants' parties.

trading, losing almost 2 per

cent following Friday's release of a much higher than expect-

ing increase of the consumer

But after news of Mr Netan-

yahu's offer to Mr Frenkel

became public, shares rebounded and the Mishtanim

rallied to close down 0.75 per

The market reaction reflects

cent, or 1.51 points, at 200.80.

On June 6, when similar hedging took place, the price of Israel's stock market reacted copper dropped by 15 per cent in only two hours. positively to the prospect of Mr Frenkel's appointment as finance minister. The Mishtanim index of the top 100 companies fell sharply in morning

price index.

On that day the selling was started, traders say, by two US hedge funds, Mr George Soros's Quantum Fund, and Mr Julian Robertson's Tiger fund, and by American Iron & Metal, a Montreal based scrap business run by Mr Herbie Black.

Yesterday traders were pointing to a remarkable coincidence: Sumitomo said that Mr Hamanaka's losses were with propping up the copper price on the LME.

the business classes of Mr Frenkel's suitability to curb inflation, now running at an annual rate of 15 per cent against 8.1 per cent last year, and tackle an exploding current account deficit which reached \$4bn last year, or 4.7 per cent of GDP. Mr Frenkel has tried to bat-

tle high inflation with a policy of tight monetary control for the past two years, a strategy frequently attacked by exporters. But he has consistently said defeating high inflation requires a twin assault by the Central Bank and the Treasury involving an expenditure curb

in this fiscal year and in 1987. As central bank governor, Mr Frenkel has warned that without expenditure cuts of Shk5bn-6bn (\$1,53bn-\$1,84bn) in the next 18 months, the government will overshoot its 1996 inflation target of 8-10 per cent, miss its budget deficit target of 2.5 per cent of GDP and continue to widen the balance of payments gap.

The 53-year-old former IMF official and university of Chicago professor is a technocrat without party affiliation, who was appointed central bank governor in 1991.

Mr Frenkel's acceptance will cause a stir in Mr Netanyahu's rightwing Likud party. Two senior Likud members, Mr Sharon and Mr Dan Meridor, had staked claims to the crucial ministry. Mr Sharon was last night refusing to join the government, forcing Mr Netanyahu into early conflict with a popular and powerful member the widespread view among of his own party.

### spread financial damage if the copper price goes into free fall goes far beyond the London Metal Exchange دروات کیا سر سر سی کارد دروات کیا کارد دروات کیا کارد دروات کارد and its members. That is why such a co-ordinated international effort is

being made to ensure that stability returns to the exchange's copper market as quickly as Trading houses, brokers, retail and investment banks

and some North American copper producers, other metal producers and hedge funds all have a vested interest in avoiding a market meltdown.

The LME is a truly international market. About 90 per cent of its members are owned by organisations based outside the UK, and more than 90 per cent of its revenue comes from non-British chents.

The Bank of England is involved in the containment efforts because many of the big users of the LME and some members are owned by banks. Also, all trades on the LME are guaranteed by the London Clearing House which is owned by six banks: Barcleys, Lloyds, Midland, NatWest, Royal Bank of Scotland and Standard Chartered. Together they provide financial backing of £150m for

By Tony Walker

to the US market.

tainment products.

steamroller.

China's propaganda machine

could not be accused of neglecting the vexed issue of

copyright piracy, with the

looming of the deadline for

imposition of sanctions on \$2bn worth of Chinese exports

Viewers of Chinese television

and readers of the daily press

have been treated to a mixture of bluster and showmanship in

presentation of the argument that China has been doing all

it can to combat counterfeiting

of US information and enter-

Great show has been made of confiscation of thousands of

compact discs, audio cassettes

and computer software items.

Film has been broadcast of

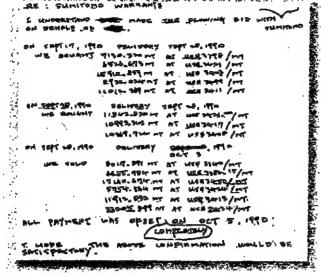
pirate goods being burned or

crushed under the wheels of a

The message on a daily basis is that China is striving to live

up to undertakings made last

year to eradicate piracy and that US criticism is unreason-



Details of fictitious trades requested by Mr Yasuo Hamanaka, the Sumitomo copper trader, in a handwritten note to a dealer in October 1991. The dealer was asked to issue a backdated invoice

INTERNATIONAL PRESS REVIEW

Sanctions deadline prompts

propaganda onslaught

able. However, the question of why all this activity is happening now and not before is glossed over in Chinese report-

In recent years, as the size and exposures of derivatives ing House. have grown exponentially, reinsurers protecting the banks against a clearing house default have backed away. Since then the Bank of England has quietly but firmly been pushing the London Exchanges and their members

Indeed, Ching's foreign min-istry spokesman, specifically

disavowed a connection, say-

ing "All these measures are not done for the US side. They

have been done to meet the needs of China's reform and

Chinese officials also dis-

missed any link between the argument over copyright and

the discovery of contamination

in waste products such as

paper and rags shipped to China from the US for recycl-

According to the Chinese gress, which highlighted the "garbage" story for days, "haz-

ardons items" such as sewage, used syringes and a rotting dog had been found in the material

The timing of these discoveries was interesting and provided more than a little fodder

for China's ever-grinding pro-

paganda mill at a moment of disagreement with the US.

from the US.

the risks, of the London Clear-

"If the US government is at

all concerned about human

rights, it should do something

Policing efforts against coun-

terfeiting have been concentrated in China's southern

regions, where most pirate

operations are located, notably

in Guangdong province adja-cent to Hong Kong. "Guangdong has done a lot of work on many fronts to pro-

tect intellectual property

rights," the China News Service

quoted Governor Lu Ruihua as

saying. Closure of assembly lines in

Guangdong represented a

"major crackdown on the

infringement of intellectual property rights," reported the

that some 34 factories, most of

them in Guangdong, have been

churning out millions of pirate

CDs which are then exported

to the rest of the world

between \$34bn and \$39bn, with

\$22bn accounted for by 10 com-

panies. China had 5,500 corpo-

rate affiliates abroad, owned

Though China's outward FDI

by 900 companies.

official *linima* news agency. US officials have complained

to stop the dirty business."

Before the Sumitomo announcement last week. Mr Raj Bagri, LME chairman, said that in principle the exchange had agreed to take shares in the reconstituted Clearing House. It would contribute £2.75m towards the LCH's

The Bank of Japan is Friday engaged in transatlaninvolved because of concerns about the exposure of Japanese banks, including Sumitomo Bank, a member of the same keiretsu, or corporate family, as Sumitomo Corporation.

The co-ordinated international efforts seemed to work well on Friday, the first trading day after Sumitomo's announcement of its big losses, and, after some panic selling, the copper price steadied.

At the same time, however,

other LME-traded metals suffered as traders sold to meet margin calls. Even gold, and more particularly, silver prices were weakened by this type of

margin on copper - or the cost of making a trade - to an unprecedented \$600 a tonne and this is estimated to have drawn in another \$600m to the Clearing House. When the margin was doubled from the usual \$200 to \$400 a tonne during turmoil on June 6, about 5700m was taken in by the clearing house, showing the financial strength of the market participants.

ers to our markets." The LME raised the initial

The US futures exchanges, the LME, the UK Securities and Investment Board and the US Commodity Futures Trading Commission spent much of

Kong while Chinese customs officials turn a blind eye.

Chinese officials, however, insist customs has been doing

A spokeswoman for the Gen-

eral Administration of Cus-

toms was quoted by China

Daily as saying that in the first five months of this year cus-

toms officers had prevented

export of more than 80,000

"The criticisms do not hold

But the US entertainment

industry estimates losses from

pirating of audio-visual mate-

rial, books and computer software reached \$2.3bn last year.

Chinese reporting of the

negotiations with the US have

given little quarter, in line with a defiant posture. Thus China's chief negotia-

tor was quoted as saying last week US sanctions would be

met with an instant riposte.

"Just like the Chinese provert

goes: Let him who tied the bell

Whoever started the trouble

spokeswoman said.

pirated discs.

water," she said.

tic conference calls trying to execute an agreement that should have allowed all markets access to information on Sumitomo's LME positions and general financial exposure. However, IIS futures execu-

tives said they still did not have the information they needed to discern if the crisis was behind them.

president of the New York Mercantile Exchange, said: "I feel very comfortable that we have no problems from looking at the direct exposures of our custom-However, he added: "I feel

like I'm flying on one wing in terms of what risks might be out there that I don't know Today there will be a great

deal more pressure on the copper price because of a technicality. Today is the key pricing date for June delivery dates on the LME. On the third Wednesday of each month futures contracts

must be closed or physical metal will be delivered. On the LME, the last day a position can be closed is two days before this "prompt date"

to allow for clerical proce-

discovered on June 5. Mr Hamanaka was widely credited

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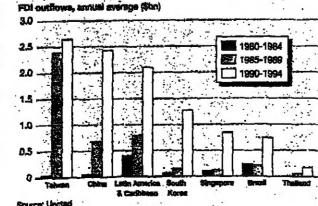
## Investment outflows rise sharply

By Guy de Jonquières

China, one of the most popular targets for inward foreign direct investment, has also become one of the biggest sources of FDI outflows in the developing world, according to a study by the United Nations Conference on Trade and Development. It says FDI outflows from China averaged 52.4bn yearly between 1990 and

That was almost four times the level in the previous five years and exceeded the combined outflows from Latin America, the Caribbean and Singapore.

Unctad's estimates are far higher than figures published by Beijing and by the International Monetary Fund, the main sources of data until now. Unctad said the official figures captured only part of the investment flows. Among developing countries, Foreign Investment by Developing World



outflows from China in the first half of the decade were exceeded only by the \$2.6bn annually invested abroad by Taiwan, much of it in mainland China. Unctad values foreign assets owned by Chinese groups at the end of 1994 at

was in Hong Kong and Macao. North America was the next most important region, with 15 per cent of the total, followed by Oceania with 8 per cent. Almost two thirds of China's FDI stock was invested in service businesses, many intended

to support exports. Unctad says Chinese insurance companies earned more than \$300m in profits from about 60 foreign affiliates in 1994. Outflows from China are still dwarfed by the value of

inflows, estimated at almost

\$34hn in 1994. However, Unctad forecasts that the former will continue to grow and urges Beijing to liberalise further by creating a clearer regulatory framework for outward FDL Transnationalisation and outward investment: the case of Chinese firms. Transnational Corporations, Volume 4, No. 3. Unctad, Palais des Nations, stock was scattered across 1211 Geneva 10. Te about 130 countries, 61 per cent 2613. Fee: 917 0027. 1211 Geneva 10. Tel: 4122 917

**AUSTRIAN AIRLINES** 

## Companies dealing with Iran and Libya face curbs under controversial legislation

# Retaliation fears over US sanctions bill

By Nancy Dunne in Washington

The US House of Representatives is tomorrow expected to pass a weak-ened version of controversial legisla-tion imposing US sanctions on foreign companies dealing with Iran and

The bill, similar to one which has already passed the Senate, has infuriated Washington's trading partners, whose companies have been helping to develop Libyan and Iran petroleum

The sanctions would only apply to new investments.

A challenge to the bill can be expected in the World Trade Organisation, as happened with legislation passed earlier this year allowing retaliation

Congressman Bill Archer, whose ways and means committee demanded a less onerous bill, expressed deep reservations about unilateral secondary boycotts and other extra-territorial approaches.

US companies could be exposed to retaliatory sanctions, Mr Archer warned. 'However, if our allies are going to be complacent in the face of such blatant criminality on the part of Iran and Libya, the US is all but forced to exercise its leadership uni-

Under a compromise worked out between Mr Archer, chairmen of the international relations and banking US President Bill Clinton would be required to seek a multilateral agreement for a sanctions regime against Iran. If countries signed up to it, their companies could make larger investments in Iran before being subject to retaliation.

The bill contains different provisions for Iran and Libya, but the principal objective is to discourage investment in the two countries' petroleum

The aim is to punish the two so-called "outlaw" regimes for alleged support of terrorism.

With respect to Iran, the president must impose sanctions if companies make new investments of more than \$20m in Iran's oil fields. However, the sanction's "trigger" rises to \$40m if that company's government has president has been given a list of signed on to a multilateral deal.

For Libya, the president is required two. These include export and import. to impose sanctions against companies which trade in products covered by a United Nations sanctions list. If retaliation were imposed, sanctions must remain in effect for at least one

The bill's provisions expire in five

The compromise bill weakens language directing sanctions against companies' subsidiaries. The measures would apply only to those subsidiaries which are found to have "actual knowledge" of prohibited trade and investment.

options from which he must select two. These include export and import home; decial of loans of more than \$10m from US banks, Export-Import Bank credits, and participation in US government procurement; and prohibitions on designating financial institutions as primary dealers in US debt instruments and serving as a reposi-

tory of US government funds. The original House bill which emerged from the international relations committee would have made foreign banks a senctions target for fin-ancing prohibited investments in Iran or Libya. That provision has been removed, although banks which make When imposing sanctions on com- equity investments in Iran and Lib panies and their subsidiaries, the could still be subject to retaliation. equity investments in Iran and Libya

## Whitewater eddies bring fresh | States jostle in risks for Clinton's re-election selection race

f the Whitewater affair ever does prevent Presi-dent Bill Clinton's re-election, then a retrospective analysis might well find the week eginning today particularly

Today in Little Rock, Arkansas, another Whitewater trial begins, brought by Mr Kenneth Starr, the special counsel. Two local bankers, Mr Herby Branscum and Mr Robert Hill, have pleaded not guilty to misusing \$13,200 in deposits by reimbursing themselves, rela employees for contributions made to Mr Clinton's gubernstorial campaign in 1990

Tomorrow in Washington. the Senate Whitewater committee goes out of business hopefully, its Republican majority thinks, with a hang in the form of its final report. As a last act. It is also seeking sworn testimony from Mrs Hillary Rodham Clinton on the question of the missing Rose Law Firm billing files - found, after a long absence, in the pri-vate quarters of the White

Committee sources also say the majority report will point a finger of responsibility at Mrs Clinton for having frustrated initial FBI investigations in the immediate wake of the suicide in 1993 of Mr Vincent Foster, deputy White House legal counsel at the time and a former law firm partner of the

Republicans may also recommend further investigations for perjury against associates of Mrs and Mrs Clinton. They may include Mr Harold Ickes, deputy White House chief of staff, Mrs Margaret Williams. the First Lady's chief of staff. and Mrs Susan Thomases, a close friend and adviser to the First Family

The report is expected to be sation for the failure last week of the Republicans on the committee, chaired by Senator Al D'Amato of New

By Anne Counsell in London

Rates of non-payment by large

companies in Europe have

risen steeply this year, revers-

ing a general improvement in

1995, according to a bulletin by

Coface, one of Europe's largest

export credit insurers. The

problem is expected to grow

due to the knock-on effects of

Coface's non-payment index

illustrates the trend in compa-

the BSE crisis.



President Clinton: may be required to testify again

who will issue their own minority report tomorrow, refused to grant him the immunity from subsequent prosecution he had sought.

Mr Hale, a former Arkansas investment banker now serving a prison term for fraud, prosecution in the trial that resulted in the conviction for fraud of Mr and Mrs Jim McDougal, the Clintons' Whitewater real-estate partners. Governor Jim Guy Tucker of Arkansas was also found guilty and is resigning shortly.

As with the McDougal case,

Mr Clinton may well again be required to testify, on July 7 by videotape from the White House, in the trial beginning His political relationship

York, to hear Mr David Hale in highway commission - but, as requeste public testimony. Democrats, in the prior trial, the president in 1998.

is used as an indicator of eco-

nomic activity – or the lack of

The rise in non-payment by

companies across Europe in the first few months of this

year was attributed to a vari-

record for payments reversed sharply at the end of last year

and non-payments have contin-

ued to climb relentlessly this

year. The Coface bulletin cites insolvencies and late payments

nies not paying their bills, insolvencies and late payments ment support for east German rather than bankruptcies, and in the building sector as the companies, high company gear-

ety of factors.

Spain's previously improving

insists he was unaware of any illegality.

Last week the judge in the McDougal case brought some relief to Mr Clinton and disappointment to his opponents by ruling that videotaped testimony should not be publicly released. The footage could well have been used in Republican political commercials. Probably the most closely

watched testimony will be that of Mr Bruce Lindsey, one of Mr Clinton's closest aides both as governor and president. He is one of the few remaining Arkansans brought to Washington and still serving in the federal government.

But the larger threat is still posed by Mr Starr's investiga-tions, much revived after the McDougal/Tucker convictions. with the two bankers is not in He has now turned his attendispute - he appointed Mr Hill tion to the bigarre case of the months. Starting today, at to the state banking board FBI personnel files, some on least, that will reach a new twice and Mr Branscom to the prominent Republicans, peak. requested by the White House

In the UK, a generally stable

record of payments in 1985 is expected to be tarnished by a steep rise in insolvencies and

non-payments as the impact of

the BSE crisis hits sectors from

The report notes a steady increase in late and non-pay-ment in Germany due to high

insolvency rates. This is attri-

buted to a reduction of govern-

cattle breeders to retailers.

Non-payment in Europe increases

this was a simple bureaucratic error without political or malicious intent. But on Friday Mr Louis Freeh, director of the FBI, described the White House request for more than 400 files; several dozen more than first revealed, as "egre-

Mr Starr is authorised to be involved because one of the files bore the name of Mr Billy Dale, head of the White House travel office until fired, allegedly at Mrs Clinton's instigation, in the summer of 1998. The special counsel was already looking into the Dale

While allowing other Republicans to weigh in over Whitewater, Mr Bob Dole, the pre-sumed Republican presidential candidate, has seized on the FBI files as a campaign issue and demanded another independent investigation. It is not enough, he has been saying, for Mr Clinton simply to apolo-

Mr Dole has been encouraged by three recent polls showing his deficit behind the president narrowing to 6-15 points from the 14-20 point range of two weeks ago. Whitewater may be a factor in this, but so may be Mr Dole's liberation from Congress.

Generally most polls have shown a public turned off by the very complexity of the many Whitewater angles and often partisan presenta-

It is also usually the case that the country does not focus its mind on the race for the White House until the last two months of the campaign. But Whitewater related ques-

tions continue to dog the president at many public appearances and now provide a larger staple of non-rightwing media

Jurek Martin

poses.
The deep-pocketed partners last January paid \$683m for the last available federal licence for nationwide satellite broadcasting and later announced plans to invest a further \$1bn. Although Colorado, home to the EchoStar satellite group

# for satellite TV

By Christopher Parket West Coast Correspondent

Three US states - Arizona. Colorado and Nebrasica - are putting the finishing touches to incentive packages in a con-test to provide a home for the MCI and News Corporation joint venture in US satellite television and multimedia ser-

With an initial investment of at least \$100m at stake, and expectations of a further \$100m. for complementary facilities; the Arizona legislature has n asked urgently to revise tax laws to put the state on an even fiscal footing with arch-rival Colorado. The draft revision goes to the assembly on June 24.

The states, all geographically ideal for a national satellite uplink because of their central location, which facilitates coverage of the entire country, are finalists in a site selection race which followed the formation in January of a partnership between MCI, one of the country's higgest telephone groups, and News Corp's global media

The competition is particularly aggressive because each state recognises that providing a base for the prestige project would enhance its reputation as a home to high-tech invest-

Colorado Springs, already home to 5,500 MCI employees. including its 4,000-strong soft-ware division, last week sent an offer which included tax rebates on the operation's ment, enterprise zone credits and training subsidies.

"But we can do more. We try to play it the way the investor wants it played," an official said. "We have beaten out Phoenix many times on the [equipment] tax issue. We are going to work our butts off on

The Nebraska economic to the partners' interest in the city of Omaha. The state, believed to have least chance, has a conservative incentives policy, although it last year approved a "quality jobs" law which allows qualifying com-panies to keep employees state income taxes for corporate pur-

and Tele-Communications Inc.

passed since Mr Buthelezi, a

former ANC member, launched inkatha as a Zulu-based libera-

tion movement with the ANC's

blessing. The two organisa-tions split irrevocably in 1979 over Mr Buthelen's opposition to the ANC's policy of "armed

struggle" against apartheid.

But the close relationship

which has vast cable TV hold and other media, appears to have the edge on experience and technical resources, Arizona is prepared to put up a stiff fight. Its appetite for media business has been sharpened by the recent completion of an animation studio for 20th Century Fox, part of News Corp. Plans are being drafted to build the state's first fullservice film and TV sound

stage complex.
The Arizona commerce department, responding to requests from the partners, has proposed extending tax relates applied to traditional manufacturing plant to electronic

The move, described offi-cially as a "clarification" and sified by one of its backers



have to pay" in other areas, illustrates the keemess of the competition for new investment, especially in western

Although sweeteners are criticised by regional policy analysts as being unfair to established industries, there is no sign of any easing in a situation where, as one observer says, "the first one to blink is

the first one out". The Nebraska economic development department is expected to go live iste next refused to discuss its response year with American Sky Broadcasting (AskyB),-a directto-home satellite service delivering 800 channels. Sky/MCI, its sister operation, will be directed mainly at business customers.

Described as "a breakthrough, state-of-the-art delivery service" by the Arizona government, Sky/MCI will offer data, training, teleconferenc-ing, tele-medicine, and virtual university education services. The initial \$100m investment will be spent on an all-digital satellite uplink facility and broadcast centre, according to Arizona's commerce departINTERNATIONAL NEWS DIGEST

## Sicily election tests sentiment

Voters in Sicily went to the polls yesterday to elect a new regional assembly, in the first hig test of electoral sentiment in the street size and the collisions. Italy since the centre-left coalition won the general elections two months ago. Parties of the right, headed by former premier Mr Silvio Berlusconi's Forza Italia movement, have campaigned hard to ensure a majority in the 90-seat regional parliament. Forza Italia won 32 per cent of the vote in the general elections, making them favourites, although the 4.3m Sicilian voters have a reputation for swinging behind the

parties governing in Rome. The outcome is also complicated by the outgoing assembly's inability to introduce electoral reform. As a result the proportional representation system is still being used, encouraging 146 different lists with 1,436 candidates. The Sicilian regional government has special constitutional status with wide powers. Of the outgoing deputies, 52 were investigated on charges ranging from corruption to links with the Mafia.

Robert Graham, Rome

### Kobe Steel in Venezuela venture

smelter in a venture with Venezuela's state-owned industrial holding company Corporación de Guayana (CVG). Kobe Steel of Japan is the majority shareholder in the venture, with rights to half of the plant's output of 1m tonnes of fron briquettes. Asian and Mexican investors are to construct a \$260m iron

Mr Takuya Negami, vice-president of Kobe Steel, said Venezuela had good operating conditions as well as vanezueta tati good operating continons as well as "authorities that are adopting the right measures and policies". As a result, a second and even a third steel plant were being considered.

Among other factors that make Venezuela competitive are the low cost of electricity and gas, both used in iron ore

The Mexican company Tubos de Acero de México, with 7 per cent of the joint venture, will use the steel to produce oil pipelines, some of which it will sell to the Venezuelan state oil

The CVG subsidiary Ferrominera Orinoco will provide the iron ore in addition to basic infrastructure and land, in exchange for a 17.3 per cent stake in the venture. The plant is scheduled to begin production in August 1998. Other shareholders in the smelter venture include

Marubeni, Mitsui and Nisho Iwai of Japan, as well as Hanbo Steel of Kores. The International Finance Corporation is providing \$160m of the funding and the US Eximbank is Raymond Colitt, Caracas

### **Poor turnout in Romania poll**

Romania yesterday kept open many voting stations until midnight, three hours later than scheduled, after poor turnout in the second round of local elections for mayors and councillors. Bucharest, where Mr Rie Nastase, the former termis star, contested a two way run-off for mayor, was one of the few areas where turnout was higher than in the first

By early-evening, 39.9 per cent of the population had voted in the city, compared with a national average of 37.6 per cent Mr Nastase, representing the governing Party of Social Democracy (PDSR), trailed Mr Victor Giorbea of the Democratic Convention, Romania's main opposition group, by about 10 points in the first round.

The PDSR, which includes many former senior communists won more than any other group in the first round two weeks ago, winning 21.6 per cent of the vote. However, the party was eliminated from run-offs for mayor in virtually every large city, while the two largest opposition groups together won 29.6 per cent. If Romanians vote in the same way in general elections due in November, the opposition would, for the first time, have a chance of forming a government. The first official results are not due until this evening.

■ Albania yesterday repeated elections in 17 districts where irregularities may have helped the ruling party win last

### Challenge to Paris government

France's leftwing opposition tabled a motion of censure over the weekend in the country's centre-right government, in a move designed to exploit the latter's political difficulties in reforming public finances and services. The censure motion will trigger a National Assembly debate.

but has no hope of precipitating early parliamentary elections. which need not be held until 1998. The motion's 95 Socialist and Communist signatories are too few in the right-dominated 577-seat Assembly for it to pass. But, with their motion denouncing government policy as

essentially an increase in unemployment, taxes and debt", the opposition clearly wants to drive home the government policy dilemma in pursuing budget austerity and job creation. The opposition motion also seeks to capitalise on a meeting on Thursday of European Union energy ministers to discuss electricity liberation.

The French government is seeking a compromise with its

EU partners that maintains Electricité de France's monopoly on power distribution and lets only big industrial power-users negotiate supplies with foreign producers. But even this step "compromises the long-term industrial and social future" of EdF, the censure motion claims.

### WHO drafts European charter The 50 member states of the World Health Organisation's

Ruropean region are set this week to adopt a charter on health reform – calling for greater involvement of patients, stronger management of health systems and a closer focus on improving primary care.

The charter, drawn up after a two-year study of health

reforms, is expected to be approved by ministerial delegates at a conference in Ljubljana, Slovenia. The study concluded that demand-side reforms, such as

giving greater consumer choice to patients or demanding co-payments for treatment, were relatively ineffective. But it found that supply-side changes, which restrict the behaviour of hospitals and physicians, generated measurable

improvements.

The charter incorporates these findings in its statement of principles and also calls for closer attention to be paid to public health matters. It calls on signatories to pass legislation to protect the rights of patients and provide them with sufficient data to make informed choices about healthcare Mark Suzman, London

### UK. China in aviation accord The UK and China have concluded a new aviation accord

which will allow British airlines to fly on three routes over Chinese territory rather than one. The agreement means UK carriers will be able to shorten flight times to Hong Kong. Hong Kong-based carriers will be

able to fly more direct routes to Europe, Hanoi and North America. Hong Kong carriers will be able to increase their services to Chinese destinations. Michael Skapinker, London

### Successful Ariane lift-off

Europe's 87th Ariane rocket placed a satellite into orbit after a launch from French Guiana at the weekend - the first launch since the failure 11 days earlier of its new Arlane-5 rocket. The European Space Agency's mission used a flight-proven Ariane 442 rocket. It was the 17th consecutive success for an Ariane 4, which has failed only three times in 59 launches. The rocket placed a communications satellite into orbit for the Washington-based International Telecommunications Satellite Organisation (Intelsat). The more powerful Ariane 5, carrying an uninsured scientific satellite payload worth \$500m, was blown up less than 40 seconds into its flight on Reuter, Kourou Reuter, Kourou, French Guiana

## Hope returns to war weary KwaZulu-Natal

reason for the rapid rise in the ing and a reliance on decisions

by the banking sector:

Despite the upward trend,

Belgium's record of corpo-

Germany's late payment index remains below the European

rate non-payment increased in all sectors due to a high num-

ber of insolvencies in the past

four months. Payment recovery has been poor as a result.

A fall in demand from Bel-

gium's main export markets of

France and Germany has also

ment have lost much of their

ANC to review its strategy for

The more sober national

hit exporters.

potency.

"I am not just trying to whistle as I walk through the grave yard," insists Mr Frederick van Zyl Slabbert, administrator of this month's local government election in South Africa's Kwa-Zulu-Natal province. "The prospects for peace in this province have fundamentally improved in the last six lence.

reeks."
The postponement, against the wishes of election organispointed in the past. But a 20 per cent fall in the monthly death toll in May lends credence to reports of a rapprochement between the Afri- the ANC had stalled the vote can National Congress and the to prolong its campaign. Inkatka Freedom party, the main protagonists in a feud which has claimed more than 10,000 lives in the last decade.

least 50 lives, a fatality rate considered "average" by most analysts. But predictions of a killing spree shead of the June 26 poll have failed to materialise and there are also signs of more candour among politi- bave come together." cians wearied by the feuding. Their candour reflects pro-

government postponed the local elections for a third time due to increasing violence and administrative problems. Within weeks, six provincial tified themselves as "warlords and pledged to abandon vio-

"I told President Mandela The evidence is modest: last you will need to cancel them," month their rivalry claimed at recalls Mr van Zyl Slabbert. "I

In early May, the national found changes in South the collapse of its ruling coalifighting is over old scores, and favour with western leaders government postponed the Africa's political landscape, tion. As a result, threats by has prolonged old quarrels." alarmed by the ANC's links ocal elections for a third time which have brought more Inkatha to quit the government. More than 20 years have with the Soviet bloc - prompt-Zulu-Natal.

ers and Mr Mangosuthu Buthelezi. Inkatha leader and national minister of home affairs, prompted criticism that

that if you are going to postpone the elections until you have peace in the province, was wrong". According to Mr Buthelezi: "Politicians have been talking about peace in KwaZulu-Natal for 11 years. but this is the first time members of the provincial cabinet

The adoption of a final national constitution on May 8, and subsequent withdrawal of the white-led National party KwaZulu-Natal, where Inkatha from the government of won 51 per cent of the vote in national unity, have reduced the election of April 1994.

Mark Ashurst on the good portents of fewer deaths and more political candour the scope for ultimatum poli-

cent of seats in parliament, fatigue. lacks the clout to win constitutional amendments that could the ground, particularly the bolster its power in KwaZulu-

tics at national level

In both parties the footsol-diers most involved in the vio-Inkatha, which holds 5 per lence are suffering from battle

"There are some vipers in youth, who realise they have been manipulated," comments The ANC, while keen to Mr Joe Mkhwanazi, the sole retain inkatha as its partner in representative of the minority government until the 1999 gen- Pan Africanist Congress in the eral election, has weathered provincial parliament. "The

lower ranks of the provincial parliament.
The campaign posters stay on the trees for longer, and both sides will sit and continue a peace meeting after the leaders have left," says a local elec-

tion candidate.
As younger leaders gain influence, the focus of provincial politics is shifting away : from the more ideological terthe 1980s Mr Butheleti found - come this pluralist message.

between Mr Frank Mdlalose, Inkatha leader and premier of KwaZulu-Natal, and Mr Jacob Zuma, the ANC leader in the province, has inspired the

supporters in the province. in recent weeks both parties have acknowledged that their opponents command loyal and probably intractable support. Ukuthula, a peace campaign launched by the same church

alarmed by the ANC's links with the Soviet bloc - prompt-ing many in the ANC to dis-

miss him as a product of the

cold war. Neither this analysis, nor.

evidence that Inkatha loyalists received weapons and paramil-

itary training from the spart-

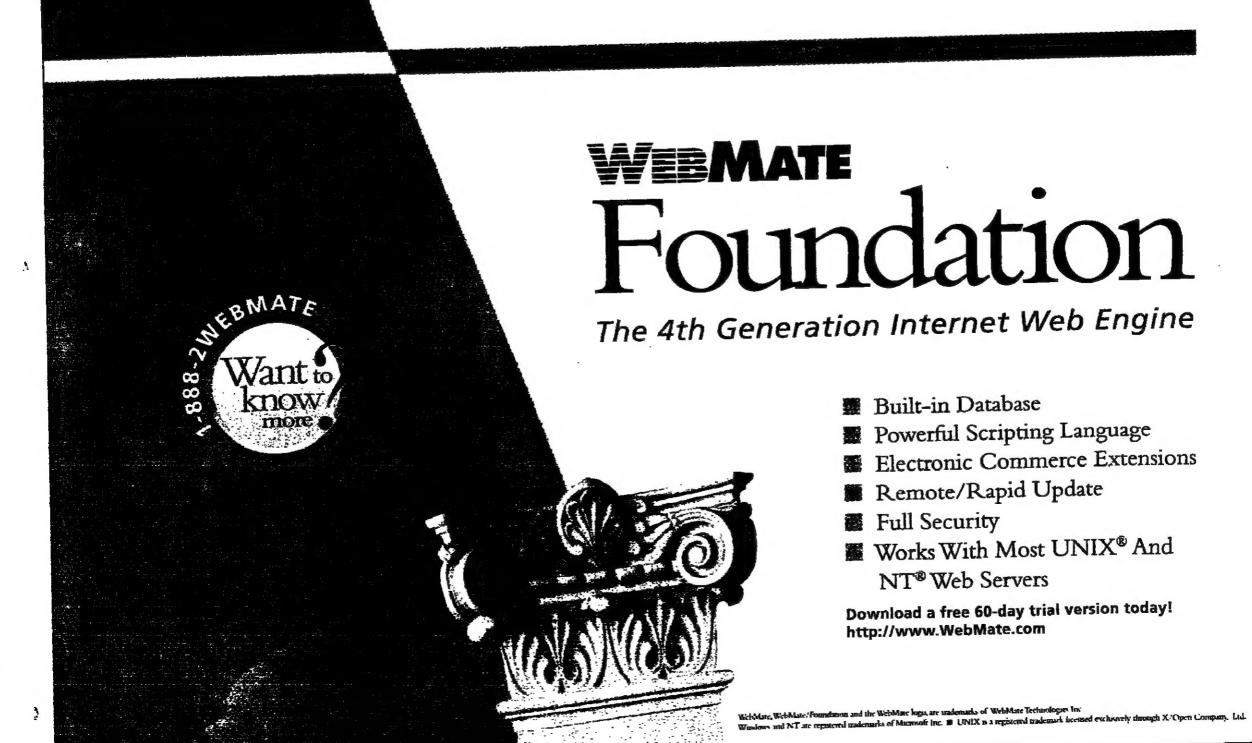
held government, deterred his

leaders who successfully lobbied Inkatha to participate at the 11th hour in the April 1994 election, has been endorsed by both camps. Provincial MPs on both sides have also pledged to escort opposing candidates through their respective strongholds.

It remains to be seen, though, whether the deeply conservative rural communirain of the past. Throughout ties of KwaZulu-Natal will wel-

ction imen

Today, the economics of Internet applications change forever



## City faces paralysis as cordons seal off centre

retail centres face paralysis fully. today as police and surveyors continue to sift through the debris of the bomb attack which is estimated to have caused more than £100m of damage to the city centre.

Two tight police cordons sealed shops and offices to owners and managers yester-day - one around the immediate scene of the blast, the other around surrounding streets hit by the aftershock.

Officials estimate that it may take until tomorrow before the general public is allowed to enter the outer cordon. The inner area - currently the scene of forensic examination

**E INSURANCE** - By Simon London

Victoria railway station remained closed to the public Safety concerns frustrated after its roof was damaged by most businessmen trying to visit their property yesterday.

in the central area, offices Many were concerned to belonging to companies such as Royal Insurance and ICL are understood to be severely damlooters. Others simply wanted to assess the damage in order to put contingency plans into

The outer cordon includes Manchester's main banking and financial centres around King Street, where there is substantial damage to windows. Police said that the broken glass posed a continued threat to anyone entering the

of Manchester Council's city

bomb hit the bub of Manchester's economy.

In the short term there will be major damage done to the confidence of people who work. trade, visit and shop in the city centre. But we are working to get Manchester

Everyone is so shocked that these cowardly barbarians chose Manchester to come and maim and wound people on one of the busiest shopping days of the year. It looks like a war zone in there."
Bigger businesses such as

Sun Alliance launched well-

small businesses - mainly retailers - were facing ruinous delays to their trading. Many feared that consumers would be too scared to visit the city and that trading would be depressed for some time.

One city centre retail jeweller, who declined to be named. said: "Everyone is just sturned because it is guing to take a very, very long time for the city to get right again. You can see it from their

faces. Businesses are baving a hard time anyway, particularly in the retail sector, and this is just the last nail in the coffin. A lot of people will not come back to Manchester for ages."

over Manchester's ability to recover quickly from the damage. Several of the city's insurance offices were most affected by the blast - and it is vital that they resume operations as soon as possible.

Mr Alan Stanbridge, a director of Cunningham Hart, a loss adjuster, was unable to start work on insurance claims as his office was behind the security cordon. Mr Stanbridge said he was

Several public sector buildings were also hit by the explo-Industrial tribunals have

considering transferring his

the Department of Trade and industry building in Parsonage Street was damaged by the

Mr Christopher Brittell, a computer systems supervisor, said: "We heard the helicopter announcing the evacuation but they didn't talk about clearing our are

"We took precautions to move away from the windows but we just saw the blast coming towards us, the air moving with the shock waves, and we got out of the area.

staff to offices in Stockport and No one was hurt but we are all very upset and the first three floors of the building had their windows blown out."

## £100m claims possible but some policies may not give cover

the Manchester bomb could reach £100m but some policies may not cover businesses for

acts of terrorism. The area around the explosion remained sealed off yesterday, preventing loss adjusters and structural engineers from examining the buildings that took the full force of the

P&O. the shipping-toproperty group that owns the 200m Arndale Centre, the biggest building damaged by the explosion, said that it was too early to estimate the total

The centre includes 1.25m sq ft of shops let to retailers, including Littlewoods, WH Smith and Boots, and a 19-storey office tower mainly occupied by ICL, the computer

company.
While P&O expects to be fully covered by its insurance

nesses may be unable to claim for either structural damage or

loss of trade.

Structural experts suggested

that Marks and Spencer, the

store closest to the detonation,

would have to be demolished.

It was unclear yesterday

whether the Arndale Centre

nearby was structurally safe.

The explosion destroyed one

side of the office and shopping

Mr Justin Balcombe, head of the catastrophe claims unit at Balcombe Group, the loss assessment company, said 400 policyholders had contacted the company since Saturday morning. About one quarter of those did not have terrorism

The Manchester bomb is likely to bring many more individual claims than February's IRA bomb in London Docklands because the damage extends to small shops, businesses, offices and even resi-

dential areas. "Between 250m and 275m is a conservative figure for total claims, but it could be more,"

The larger claims will fall on Pool Re, the governmentbacked reinsurance company cies and was set up after the 1992 bomb attack in the City of London.

Insurance companies sell terrorism insurance on terms and conditions set down by Pool Re, which in return carries most of the burden of large

The London Docklands bomb has already led to a sharp increase in the cost of terrorism cover for business

At the start of the year Pool Re collected only 60 per cent of the insurance premiums due from its customers and said that the balance would fall due if claims during the whole of the year amounted to more

Last week the company said that claims from the Docklands incident had reached £100m. even though two of the big commercial buildings damaged by the blast were not

nalled an end to the fragile

a political goal still beckoned -

This, optimists believed.

might concentrate the minds of

the political leadership in the

Sinn Fein/IRA axis which Brit-

The hope then was that the

bombing might be a one-off

warning. Even though five sub-

sequent incidents took place,

such as the accidental detona-

tion of a bomb on a bus, and

an attempt to blow up Hammersmith Bridge in the

west of the capital, a lull

This was interpreted by

some in Dublin and London as

signalling that Sinn Fein might

ish ministers are convinced is

all-party talks.

inextricably linked.

As a result Pool Re policyholders will be asked to pay the remaining 40 per cent of their annual premiums.

A 20 per cent discount on nium rates introduced after the IRA ceasefire is also being dropped for new policies.

Mr Lesley Lucas, Pool Re chief executive, said that the final level of claims had been higher than expected in the immediate aftermath of the damage had come to light only after detailed engineering He added that Pool Re would

take into account the total level of terrorism claims for this year when setting its premium rates for next year. "At this stage it is unlikely that premium rates will increase but we will have to see what happens later in the year," he said.

Governments struggle for way forward

The latest attack has made the search for a political solution seem even more difficult

**Authority (EEA)** IFPQ 61/96 Ireland has alternated between periods of optimism and gloom. EEA is planning shortly to invite experienced Yesterday, in the aftermath of mood was infused with overwhelming despair. The politicians searching for

independent Power Producers/Developers to submit their pre-qualifications to implement a Build, Own, Operate, and Transfer (BOOT) power plant project. The BOOT project will be two 325MW steam units capable of firing both natural gas and oil. The BOOT Project Developer will be required to design, finance, construct, own and operate the BOOT plant for an extended number of years. The Developer will sell the electric power to the EEA in accordance with a Power Purchase Agreement and eventually transfer ownership of the plant to EEA at the end of the specified period.

**CONTRACTS & TENDERS** 

ARAB REPUBLIC OF EGYPT

**Egyptian Electricity** 

Interested Developers are requested to respond to the following questionnaire:

- 1. What is the legal name, address of the responding organisation (Developer)? Include the phone and fax
- 2. What are the types of other organisations the developer may include to form a consortium capable of completing effectively all the required activities for the BOOT plant, eg financial, technical (design and O&M), commercial, etc?
- 3. What is the nature of this consortium to be developed to undertake this project: joint venture, subcontracting, etc?
- 4. What are the related tasks and activities performed by the Developer's organisation on other BOOT projects? Other tasks related to different type projects such as BOO, BOT, ROO (Rehab, Own. Operate). RLO (Rehab, Lease, Operate) which are applicable to this BOOT Project may be also included. Provide a list of all these projects.
- 5. What was the level and nature of the responding organisation's involvement in each of the tasks and activities listed in question 4 above?
- 6. What are the names, description, and the current status for each project listed in question 4 above?
- 7. What were the other parties the responding organisation teamed with to work on the projects listed in question 4 above?

The answers to these questions will be used by EEA as a basis for selecting the developers who will receive the Request for Pre-Qualifications (RFPQ). The qualifications of the organisations responding to the (RFPQ) will then be evaluated by EEA to establish a short list of qualified Developers. EEA will send the Request For Proposal (RFP) to the short listed Developers inviting them to submit their proposals for the intended BOOT project. The responses of the interested Developers to the above seven questions (not to exceed six pages) must be submitted to the following address before 12.00 noon, Thursday, July 4, 1996.

General Director of Central Purchases, Egyptian Electricity Authority, Abassia, Cairo, Egypt Tel: 261 6537 Fax: 261 6512/401 1630 the search for a settle- of the British and Irish ment for Northern governments and restore its

As the days ticked by before June 10 - the start of the nego-tiations in Belfast - the prospects became increasingly dim. Sinn Fein's striking success in the May 30 elections to a a way out of the problem have all been there before. This new Northern Ireland forum, which in turn would delegate

time, however, there appears teams to the talks, was something different.
The attack in London's Dockdouble-edged. Some nationalists saw it as a lands on February 9, in which personal endorsement for Mr two people were killed, was the Gerry Adams, the Sinn Féin more dramatic, because it sigpresident, who they believed was arguing the case for political engagement to the IRA ceasefire. Yet for all the surprise, disappointment and fury, army's council. Others feared that it would be seen by the IRA as vindication of its use

> of violence to achieve its A seminal moment for the irish government came on June 7, with the murder of a police officer in Adare, county Limerick. The IRA said the shooting of Mr Gerry McCabe was "not authorised", raising the prospect of a split between

> and the leadership. Ministers and officials in London with access to intelligence reports scoffed at such suggestions. "If anything good comes of this, it might nail ganda that somehow Adams is

men," said a senior UK minis-

McCabe's killing was a devas-tating blow. Mr Bruton joined the talks, which had been

that Manchester had shattered what remains of Dublin's and in part London's - stra-

Both had been predicated on an attempt to draw moderate republicans into the political ld. Mr Dick Spring, the Irish foreign minister, who has in the past been seen by the UK government as too willing to accommodate republican betrayal". The Irish government. Mr Spring said, would meet tomorrow to review its relationship with Sinn Fein. "The talks have started and what do we get in return? We get an outrageous act by peo-ple who...are not acting on behalf of the Irish people," Mr

Spring said.

yet accede to the demands not involved with the gun-of the British and Irish men." said a senior UK minis-Yet, once the brow-beating

Irish prime minister, Mr tens of thousands of mourners in an outpouring of national shame at the funeral - held on the morning of the first day of devised as heralding the start of a new era for the Irish republic and its ties with the

Mr Bruton all but admitted

He was acknowledging that, in short, the governments all the parties are merely

has finished, both governments will again have to take a cold

hard look at the way ahead. Mr Michael Howard, the UK having consistently taken the most uncompromising line against Sinn Feln in cabinet, said yesterday that the peace process was not over. He called on the nine parties taking part in the negotiations to work constructively for a constitutional solution for Northern Ireland. This, he said, would

"isolate the few extremists". Yet, irrespective of the latest terrorist acts, the talks had got off to a dreadful start. For two days Mr Spring and Sir Patrick Mayhew, Northern Ireland sec-retary, tried to convince unionist parties to accept Mr George Mitchell, an aide to President Bill Clinton and former US senator, as chairman. The Illster Unionists eventually yielded, but the second week's proceedings are unlikely to be any more constructive than the

Such was the had blood last. week neither government would, for the foreseeable future, dare to try to bring Sinn Fein to the table - even if a ceasefire was declared. Yet, as senior unionists privately admit, without Sinn Féin

that the republicans' most likely strategy might be to hold off a while before another attack. The past months have hish governments have been at their closest immediately after setbacks. Once the situa tion has calmed, the joint approach has tended to suffer strains.

going through the motions. Security officials suggested

However, the security ser vices acknowledge that - with each bombing most probably planned weeks in advance they have no idea when the

next attack will come. Manchester was probably targetted because security may have been less tight than London - the only previous target in the four months since the resumption of IRA terrorism and because of its high profile as one of the main venues for the Euro 96 soccer tournament. This raises the prospect of a bomb in another of the host cities before the event is

"The best we can do is painstakingly improve our intelli-gence gathering and go for these people as hard as we can," said a UK minister. "I don't think anyone would now doubt that we're in for the long

John Kampfner

### Concern about the effect on visitors

The British Tourist Board yesterday expressed concern that a renewal of terrorist attacks after the Manchester bombing could deter foreigners from visiting the UK in what was expected to be a record year for tourism.

So far there is no sign of panic among foreign visitors already in the UK, including the tens of thousands of football supporters attending the Euro 96 tournament, according to the BTB and other touriem hodies Similarly they have detected no evidence of large-scale cancellations of trips later this summer.

The BTB said it would be watching the situation closely" in the next few weeks. "Obviously we're concerned," said a spokeswoman. "But there were only a few imp ate cancellations after the London bombings in February, and overall figures continued to increase. We hope that situation will continue.

The last significant decline in foreign visits to the UK was during the Gulf War in late in 1990 and early in 1991, when international air travel ground to a halt and the number of North American tourists fell sharply.

Since then visitor levels have risen steadily, helped by sterling's weakness, the opening of the Channel Tunnel and the general improvement in the global economy.

According to the BTB the number of foreign visitors to the UK increased by 12 per cent to 24m last year, with the number of North Americans returning to pre-Gulf War levels. The increase continued in the first quarter of this year in spite of the February bombings, with numbers rising by 8 per cent to 4.6m.

Healthy bookings suggest that the IIK is on course for another increase this year. The Enro 96 tournament alone is expected to bring 250,000 foreigners into the country. although many will fly in and

out on "day-trip" charters. The UK's share of international tourist revenue is still well below its 1990 level of 6.7 per cent, however, in spite of the growth in visitor levels. Lest year it reached 5 per cent.

Hopes of continued recovery in market share this year could be scuppered if foreign visitors are deterred by the threat of terrorist attacks.

Travel organisations said that there had been no cause for concern this weekend. British Airways said that the number of people buying new tickets, or bringing forward their return flights, was "absolutely

Similarly Manchester International Airport, 10 miles outside the city centre where Saturday's bombing took place, said the situation was stable. An additional 3,000 people had been using the sirport each day during the Euro 96 tournament to travel to stadiums throughout the north-west.

A spokeswoman said that most travellers had stuck to their pre-arranged schedules including football supporters, many of whom had flown in on day charter flights. Manchester International handled 40 Euro 96 charters this week-

Alice Rawsthorn

## Planning prevented a disaster becoming a crisis

The Manchester bomb awoke some painful memories at Commercial Union, the composite insurer, yesterday. In 1992 it was forced to leave its London headquarters for more than two years after

bomb unleashed by the IRA on the British mainland. The bomb threw CU into turmoil. But thanks to the compa-ny's successful handling of the emergency, it also turned CU into a reluctant expert on

what was then the biggest

With further IRA attacks on office property in the UK, and the bombs in Oklahoma City and New York's World Trade Centre in the US, it has even started providing seminars for

The Baltic Exchange bomb is planted firmly in the memory of Mr Ray Morley. CU's communications officer. "It went off on a Friday evening, April 10 1992, the day after the election, at 15 minutes past nine." he recalled immediately.

The group had a disaster

plan for the building, drawn up

mostly with the dangers of

flood and fire in mind, and this

the Friday executives realised that they needed to put the plan into action.

"We saw the news on television, and by midnight we'd including the systems engidecided we weren't going to be neers covering telephones and

don office had been earmarked for the task in the event of an emergency at the headquar-

staff were essential for running the business on the Monday

the Saturday all staff had been

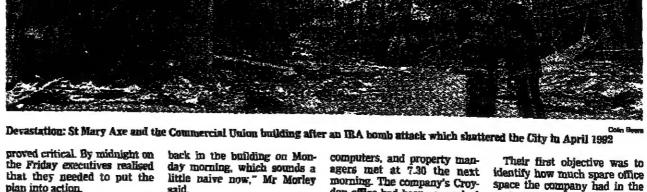
The Croydon office's phone system, linked to the computer system at the headquarters, was down. But the central disaster team had the telephone numbers for three or four people in each department. All of these were required to have their own isaster plan, and to "cascad the news to their colleagues over the weekend.

The telephone system, kept in the fourth basement of headquarters, was found not to be seriously damaged and was

By Saturday evening, the team was "moderately confident" that the company could return to work on Monday, and space was booked in national newspapers. "Otherwise people think you've gone out of busi-

ness," Mr Morley said. On Sunday CU knew it had enough people in place to say it was "business as usual", and placed advertisements saying

By Tuesday 631 of the 650 affected staff were back at



space the company had in the rest of London, and then to decide how many members of # TOURISH

Concern about he effect on visitors



The League of Communications.



Deutsche Telekom, France Telecom and U.S. company Sprint have now joined forces to create a unique new worldwide communications alliance: Global One\*. For customers who need to operate right around the world, this alliance offers the full range of state of the art telecommunications options - on a truly global scale.

 The Global One venture is subject to regulatory approval.

Nowadays, companies aren't just selling worldwide: they're also developing, purchasing and manufacturing in a variety of different international locations. Hence the explosion in demand for high quality global communications. To satisfy this demand, we have pooled the cream of European and American telecommunications resources in a unique three-way international partnership.

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In the words of the U.S.A.'s Forrester Research Institute: "Together, Deutsche Telekom, France Telecom and Sprint form what is probably the strongest alliance in the world." It goes on to highlight our common vision, compatible products, virtually complete international coverage and vast combined experience in network technology. In short, this alliance promises unrivalled professionalism and integrated expertise. Indeed, from the start, some 2,500 specialists at 1,200 locations in more than 50 countries will be putting their global network-building skills at the disposal of customers who need to be able to communicate right round the world.

### The League of Communications.

With Global One, we have set our sights on transforming the quality of international communications. As an independent company with its own worldwide network, Global One can offer customers comprehensive, customised communications packages from a single source, using the skills and expertise of all three partners in the alliance. France Telecom is the world's fourth largest telecommunications company and boasts outstanding performance and many years' experience in the field of global data services. As a serious performer in all the major international markets, Deutsche Telekom has the densest fibre optics network in the world and offers satellite capacity from all the leading operators, not to mention top quality connections, particularly to Eastern Europe. Sprint is one of the biggest names in American telecommunications. It has a unique, fully digitised fibre optics network throughout the U.S. and excellent connections in the Pacific Rim. Put all that together and it's not hard to see why we called the new alliance Global One.

### You couldn't be in better company for the future.

Deutsche Telekom is Europe's No. 1 telecommunications company - and the second largest network operator in the world. We continue to lead from the front in pioneering new technologies. In fact, since 1990 we have invested DM 135 billion in new telecommunications infrastructures, which makes us the world's single largest investor in this area. We offer multimedia and online services, "smart" networks and a wealth of experience and know-how - all backed by strong business partnerships which span the globe. Add the resources of our new worldwide consortium and you have an international communications capability which cannot fail to benefit your business.

Our connections move the world.

## Labour to affirm EU support in Bonn

By John Kampfner, Chief Political Correspondent

The UK's leader of the opposition parliamentary party, Mr Tony Blair, flies to Bonn today to proclaim Labour's pro-European creden-tials and warn of a growing section of the governing Conservative party contemplating full withdrawal from the Euro-

pean Union. In his latest visit to international capitals ahead of the general election, the Labour eader will seek to exploit Tory disarray over Europe while demonstrating his "patriotic credentials" by urging a lifting of the han on British heef

With Mr John Major, the UK

prime minister, still smarting over the defiant funding of an ardent Eurosceptic group by Baroness Thatcher, the former prime minister, Mr Michael Heseltine, deputy prime minister, yesterday warned Tories "nibbling at the fringes" that they could deliver a Labour election victory.

Labour strategists said Mr Blair would use his talks with Chancellor Helmut Rohl and Mr Oskar Lafontaine, leader of the opposition SPD, and in a speech to the BDI, Germany's national business organisation - to demonstrate a growing divergence between the main Mr Blair will attack what he

of government and the press, particular anti-German remarks, while suggesting that British public opinion is not as

anti-European as portrayed. He will affirm to his hosts that Labour will fight the elec-tion as "the main pro-European party in UK politics", while making clear his cautious position on a single cur-rency and demands for reform of the Common Agricultural Policy.

The trip comes three days before the Florence summit of EU heads of government which is expected to be dominated by the beef crisis and the UK's policy of non-cooperation. Mr Malcolm Rifkind, foreign

secretary, said the government

paign of blocking EU business if its demand for a framework leading to the lifting of the ban on British beef is not met at the summit

Mr Rifkind warned allies of Mr Bill Cash, whose motion last week calling for a referendum on European federalism supported by a third of Tory backbenchers, that he was playing into the hands of

"If Europe is the single greatest issue that they are concerned about, then it's a pretty rum policy to take action which appears to weaken a Conservative government and bring about an alternative govent which would be much

more harmful to their objectives," Mr Rifkind said. He added: "There is no significant body of opinion in Britain that wants a federal United States of Europe, and therefore to have the whole trauma of a referendum to

already well aware of is a

pretty pointless exercise."
Mr Heseltine said Britain's essential interests were "inextricably interwoven" with the EU. He said Lady Thatcher's position had always shown a certain "inconsistency" as she had taken the UK "further and deeper into Europe than any leader of this country has ever

eventually go. Mr Robb adds that the pres-

sures on British Energy to

raise profitability will be

greater than for most compa-

decline in electricity prices. Mr Hawley says that as there

is overcapacity in electricity

generation there will be few

opportunities to develop new UK capacity. But British Energy is considering possible investments in niche markets

and in generating at peak times. These include joint ven-

tures with other companies.

We want a degree of diversifi-

cation but it won't be mas-sive." But Mr Hawley insists that the company will not fol-low other generators in bid-

ding for regional electricity

companys because after the liberalisation of supply in 1998 it

nies because of the expected

### property holdings 'to rise' produce the result that we are

By Simon London. Property Correspondent

Company

UK companies plan to increase their property holdings this year with the strongest demand likely to come from the retail sector, according to a survey published today. The fourth biannual prop-

erty survey by the Confedera-tion of British Industry, the UK's largest employers' lobby, found that a net balance of 3 per cent of companies plan to increase their property holdings in the next six months. This compares with a negative balance of 5 per cent in the

last survey. The findings support the view of many investors that the commercial property mar-ket is poised for a sustained recovery after years of falling rents and contracting demand

Excluding the formerly state-owned utilities, which plan to reduce their property holdings sharply, a net balance of 18 per cent of compa-nies said that they planned to

The survey, carried out in conjunction with Grimley, the chartered surveyors, covered 660 companies. It found that big companies were generally more optimistic than their smaller counterparts. The strongest growth in demand for property is expected in south-west and north England

and in the west Midlands . Expansion of capacity is the main reason for capital spending on property. In the previous survey companies said that they were spending to

increase efficiency. Mr Sudhir Junaukar, the CBI associate director of economic analysis, said: "This is encouraging because it suggests that companies are starting to equip themselves for a quickening in the pace of business activity."

However, shortages of suitable new properties and diffi-culties with disposing of older premises are preventing com-

panies from investing. This underlines that many regions of the UK face a short-

## **Exporters lose** market share

A lack of competitiveness in British manufacturing means that the value of the UK's exports could be overtaken this year by those of Italy, according to a new report.

The Centre for Economics and Business Research argues

that weak demand in Europe and the shedding of excess stocks of unsold goods are insufficient to explain the weakness of factory output. "The real culprit is the continuing loss of market share by UK producers both to imports and in export markets", says Mr Doug McWilliams, the chief executive of the

Mr McWilliams argues that UK exporters have failed to take advantage of the fall in the pound which followed Britain's departure from the European exchange rate mechanism. He said that the degree to which UK exports had failed to keep up with demand growth in overseas markets was the largest in the industrial world.

In response to the emerging competitiveness problem, the CERR revised down its growth forecast for this year from 2.5 to 2.1 per cent and for next year from 2.4 to 2.2 per cent. But he added that the mability of the official statistics to capture trends in the software sector and new and small firms meant the true growth figure this year might actually be closer to 3 per cent. Mr McWilliams predicted that growth next year would be restrained by uncertainties about the election and a possible change in government. Interest rates are expected to remain at their current level until mid-1997 and then to rise gently to a peak for the cycle of 7 per cent in 1998.

Robert Chote, Economics Editor

### Consumers want animal test ban

Four out of five consumers want a ban on the use of animals to test cosmetics and toiletries, with two in three people saying they would consider boycotting products which have been tested on animals, according to a survey carried out for

CWS, the Co-op retailing group.

The finding comes as CWS says it has obtained a draft of a European Commission document which recommends the indefinite postponement of a complete ban on animal testing for cosmetics by 1998. CWS says it blames the postponement on insufficient funding and poor industry co-operation on research into alternative testing methods. NOP, the survey company, polled more than 1,000 people in the UK for the CWS study, while Taylor Nelson AGB, the research group, interviewed 15 groups. Diane Summers, Marketing Correspondent

### School-leaver vacancies unfilled

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COMMENTS IN

Increasing number of employers are finding it difficult to fill their vacancies for school-leavers, although unemployment among young people is twice as high as in the labour force as a whole, according to IRS, the independent employment research organisation. It said 29 per cent of a surveyed sample of organisations reported difficulties this year, compared with

22 per cent in 1985. The IRS survey says: "Recruitment difficulties are highest among organisations trying to recruit school-leavers to apprenticeship schemes. Most organisations say that the main problem is trying to find recruits of the standard they require. Andrew Bolger, Employment Correspondent

### Jersey casino plan opposed

A survey of Jersey's financial institutions has shown that a majority are against a casino being allowed to set up on the island. The States of Jersey is to debate a private member's bill tomorrow which would allow a casino to be established in the holiday resort for the first time.

## Monopoly probe of N Ireland electricity urged

Northern Ireland are higher Mr Douglas McIldoon, the electricity regulator in Northern Ireland, is poised to recommend a Monopolies and Merg-ers Commission inquiry into the province's electricity gen-

This follows the failure of talks between the regulator and the generation industry to strike a deal to lower tariffs

Industrial and household consumers pay more than 20 per cent more for electricity in Northern Ireland compared with mainland Britain. Mr Charles Coulthard, the

deputy-director general of Offer Northern Ireland, said it had been in discussion with the generators but had not been able to reach agreement with them to cut prices. He said Mr McIldoon would publish a consultation paper within 10 days recommending

the industry be referred to the MMC. The reference would be under the Fair Trading Act and would seek to demonstrate that a complex monopoly operated against the public interest. The recommendation the competition authorities.

than the mainland because of the structure of generation contracts which Northern ireland Electricity - the province's privatised power trans-mission, distribution and supply company - entered into in 1992. These reward the generators - principally Transco International, the British Gas subsidiary, and Nigen, a joint venture between Tractebel of Belgium and AES of the US -

able for generation. The fee for plant availability was set in 1992 and indexed to inflation. It takes no account of improvements in efficiency.

for making their plant avail-

The problem with the contracts is that any improvements made in efficiency are kept by the generators and not passed to the consumer," an official said. Offer NI believes the generators have improved plant efficiency by more than 30 per cent since 1992 and that their prices should reflect that. It will take Offer NI two months to put its MMC referance together. The reference would be confined to the generators' contracts with Northern

Ireland Electricity's power pro-

## British Energy plots a cautious way forward

Companies listing on the stock market must strike a delicate balance between enthusiasm and caution. Too much gush about future plans and the investors get nervous. Too little and they turn away.

For British Energy, the stateowned nuclear power company which is being privatised, the dilemma is particularly acute. Its present business offers little opportunity of expansion in the foreseeable future. But privatised utilities have yet to distinguish themselves with their diversifications. So, what will British Knergy do. once it is free of the restraints of government control?

The company promises to pay considerable amounts in dividends - £96m (\$147m) in 1996-97 - but that will still leave plenty to invest in the

Both Mr John Robb, the chairman, and Mr Robert Haw-ley, the chief executive, put a high priority on reducing the £700m debt. Mr Hawley's plan for increasing cashflow and profits is to improve output diversify overseas.

and cut costs, examine new opportunities in the UK, and Mr Hawley says that, with

life extensions, the first plant

is not due to close until at least

2011, giving plenty of time to maximise cashflow and profits. But this will never be done at the expense of safety. "Our bottom line is safety. Profit comes one line above it," he

British Energy cannot cut costs as much as National Power and PowerGen, the two biggest thermal power generators, have done because of the need to maintain engineering skills. No one else could maintain the company's seven advanced gas-cooled reactors

The company is considering possible investments in niche markets and in generating at peak times.

But the company is making savings by pooling resources such as engineers - between stations. There will also be savings in

rationalising the complex structure in which operations are divided between two main subsidiaries - Nuclear Klectric. with six power plants, and Scottish Nuclear, with two. Mr Robb says the split, created for political reasons, makes little

will not be necessary. He says the company will be equally cautious in international diversification. It will not build nuclear power stations, but sees opportunities in expanding its overseas consultancy business. It hopes to offer advice to overseas opera-

tors, particularly small ones. Mr Hawley sees his market as companies with only one or two reactors - 40 of them in the US and 46 elsewhere. But be will not take take any rash

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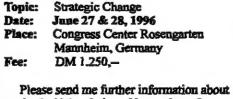
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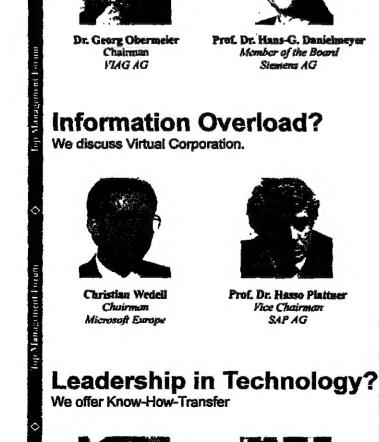
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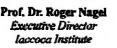




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Facial Group

## stake in Engen

By Mark Ashurst in Johannesburg

Petronas, the state-owned Malaysian oil and gas company, has acquired a 30 per cent interest in Engen, South Africa's biggest oil retailer, in a move that beralds further restructuring in the African

Petronas will pay R1.9bn (\$436m) for the stake, the largest foreign investment since the country's transition from apartheid. The price includes a premium of 35 per cent to the price on June 11, when trade in Engen was suspended in Johannesburg. It is believed to be the largest single new for-eign investment in South Afri-

Engen will raise R605m from a rights issue as part of the deal, but Mr Rob Angel, chief executive, would not disclose his plans for the money.

Analysis expected it to resume merger talks with

Sasol, the synthetic fuels producer which makes oil from coal. "It is no secret that Engen wants more expertise on the refining side and that Sasol wants a bigger share of the retail market," said one.

Talks between the two com-panies collapsed last year because of a dispute between Sasol and Total, the French multinational, related to their joint interests in Natref, a now been resolved. "Engen would welcome discussions with Sasol," said Mr Angel.

Rogen will not buy Malaysian crude directly from Petronas, although the deal overseas oil supplies and create a more efficient international oil market. "Our aim is not to find a home for crude, but an opportunity to optimise crude availability," said Mr Dató Hassan Marican, chief executive of Petronas. Co-operation between the two expansion in Africa and the Indian Ocean rim.

The investment also entails restructuring of the South African corporate sector. Sanlam, the South African insurance group and Rugen's largest shareholder, has guaranteed to transfer such necessary after the rights issue to ensure its ultimate

shareholding of 30 per cent. chairman, expected its stake in Engen, which is held jointly with Rembrandt, the tobacco and luxary goods group, to fall from 30 per cent to between 15 and 20 per cent. "There has been a lot of criticism that South African conglomerates don't allow foreigners into this country. But if there is a good deal to be done, we will do it.
There will be more," he said.
On the prospect of a merger
with Sasol, in which Sanlam is

heavily weighted, he said Sanlam could have transferred its stake in Engen directly to Sasol. The deal with Petronas would add value to Engen's current business: "You can't do a deal of this magnitude in order to have a shot at something else." Lex, Page 18

STATISTICS

FT Guide to cumencies

BAT

BTR

CVRD

Compass

Engen

Genoold

Relhaven Brewery

Britden Estate

Capital Radio

Churchill insurance

Continental Shelf 55

Five Oaks Invs

Frederick's Hillywood

Harmony Healthcare

COMPANIES IN THIS ISSUE

# Petronas buys 30% Compass wins fight for Eurest France

Monday June 17 1996

Compass, the contract catering group, will announce today that it is paying FFr590m (\$113.5m) to buy out the interest in Eurest France held by its rival Sodexho.

The deal marks the end of a bitter struggle by Sodexho, the leading French contract caterer that also owns Gardner Merchant of the UK, to stop Compass gaining full control of Eurest France.

Sodexho has agreed to drop all legal action in respect of Compass's deal last April with the 55 Eurest France gers, who held about a third of the shares but who had 58 per cent of the voting rights. The managers backed a UK contract catering group to gain full control of target after French rival agrees to drop legal action over deal with managers

Compass will also pay FFr28m for the 0.16 per cent held by Epargne Développement, venture capitalists that have also agreed not to pursue legal action.

Winning the battle for Eurest France is strategically important for Compass, which regards the company as a fourdation stone for expansion into France. At present Compass' only French operation is at Charles de Gaulle airport, with sales of about £16m. The poten-

Compass offer of FFr640m in tial French market is worth product range, including the spite of an offer of FFr694m about FFr100bn a year. of introduction of its brands, such

under contract. Mr Francis Mackay, Compass chief executive, said yesterday that he was delighted to. have reached an amicable agreement with Soderho which finally secured the ownership

Eurest France was the third largest contract caterer in France, "but it offers the best quality". Compass would help Mr Philippe Durand-Daguin, dent of Eurest France, to

which only about 20 per cent is as Upper Crust, to the French

"France is a key market within Europe and Eurest France has a strong manage-ment team, an excellent repu-tation and is well placed for future growth," said Mr

Mackay. Eurest France made profits of FFr140.4m on sales of ary 28 1995, the last audited

est in Eurest France when it bought Eurest International from Accor for £591m (\$904m) last July. But the deal included only a third of the shares – the managers and Sodexho held most of the rest between them.

"was surprised not to have been informed in advance" of its rights as a shareholder were fully safeguarded.

the time that in due course it would "be able to acquire a exercise overall control of



### Richard Tomkins on airlines' ventures into cyberspace in their quest to fill unused capacity

### S airlines made net profits of \$2.4bn last year - the biggest in the industry's history. But how Passengers take a seat at the Internet auction

much more would the airlines have made if only they had filled those rows of empty

Thanks to record passenge numbers, US airlines filled a higher proportion of seats last year than at any time since the second world war. Even so, over the year, they sold only 65.7 per cent of capacity on domestic flights.

According to one Wall Street analyst, profits would have soared to more than \$8bn if the airlines had been able to fill their aircraft. Now some airlines are experimenting with ways of doing just that - by auctioning their empty seats in

In the past few weeks, American Airlines has conducted auctions on the Internet in which it attracted 2,000 bids for 20 pairs of round-trip tickets to

Last night, marking the 15th anniversary of its frequent flyer programme, American Airlines opened another Inter-net seat auction, this time inviting people to submit their bids in frequent flyer miles instead of cash.

American Airlines describes these auctions as experimental, and the proceeds are going to charity. But the company says it is only a matter of time before it puts its auctions into commercial use.

"An airline seat is a perishable product: it can never be put on the shelf and sold again once it leaves the ground empty," American Airlines says, "Our challenge is to find ways to sell seats that would otherwise go unsold without diluting the yield from seats that would seil." American Airlines is not the only carrier experimenting

with seat auctions. The Hong Kong-based Cathay Pacific is conducting its third Internet auction in the US, offering 887 tickets on its services from the US to Hong Kong. Cathay says the response to

the latest auction has been phenomenal" - more than 10,000 bids have been received so far. It expects proceeds from the three suctions to total \$325,000, most of which will translate into profit.

they could bring a "third revo-lution" to the US airline indusprompted by the introduction of jet aircraft in the late 1950s and by deregulation in

For airlines, part of the appeal of selling tickets through electronic media is the chance to cut travel agents' commissions. These cost US airlines \$6.4bn last year, smounting to 9 per cent of the industry's total operating

Mr Maldutis, however, says a bigger opportunity for change lies on the revenue side of the

One analyst says 100 per cent passenger loadings would have almost quadrupled US airlines' profits last year

been using the price mechanism to maximise revenues for years, using computers to predict demand at various ent types of tickets accord-

ingly.

But electronic media could bring significant changes to the way airline tickets are sold - particularly in the US, where access to these media is greatest. Mr Julius Maldutis, ane-

Airlines, of course, have equation, because electronic media such as the Interpet will make it possible for airlines to fill unsold seats by auctioning

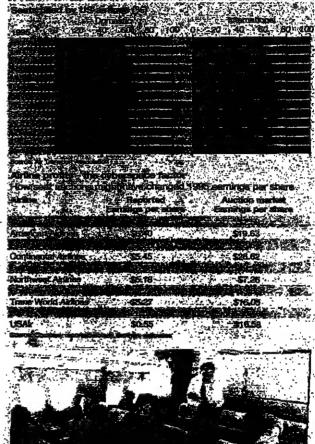
If the idea catches on, assengers who need to make firm plans will continue to make reservations in the usual way. But a day or two before departure, when airline managers can be certain how many unsold seats will remain, the empty seats on a given

The winners may end up flying for only a fraction of the full fare. But as additional passengers are carried at little extra cost to the airline, nearly all the money they pay will flow through into profit.

One danger for the airlines is that some passengers who would normally pay full fare will wait for the auction to get their seat at a lower price. But even allowing for a 25 per cent fall in the average fare paid, Mr Maldutis calculates that 100 per cent passenger loadings would have produced net profits of \$8.9bm for the US airline industry last year nearly four times the reported

figure. Mr Mark Shields, 2 vice-president in Mercer Management Consulting's aviation practice Washington, agrees with the concept, but sees potential flaws. Some services may be impossible to fill at any price, he says. "There is certainly some pent-up demand, but I don't believe the market is that elastic." And if a given route did achieve a load factor of 100 per cent, it would inevitably attract new capacity into the

On a more practical note, there is also the question of passenger acceptance. While low fares may be popular, crowded aircraft are not. "Passengers may start to shy



away from flights that mean, I hate it when those approach a load factor of 100 middle seats are full. Don't per cent," Mr Shields says. "I you?"

## the former US trea inter Templeton funds which held their annual meetings in London last week. His own venture. \$175m at its disposal, some \$30m of which is in Darby's money.

Fund Management

The UK unit trust sector is highly fragmented and seems able to resist the pressures for consolidation.
A key reason for this seems
to be that most unit frust. groups are not independent but offshoots of other types of company. Page 48

## UK insurer in motor repair move

further evolution in the sector by diversifying into motor

policyholders. So far two garages have been set up, in Rotherham and Man-chester, with a third planned

London share service 34-35 Managed fund service 32-33

Heron International

Hollinger Int'i

Lodge Care

Philip Morris

R.J. Reynolds

Railtex

Saliabury

Serene Care

Sumitorio Corp

Tata Chemicals

Wallams Holdings

Socik Shoo

Sodestro

Ternaria

Wing On

Churchill's efforts to control costs in an increasingly competitive trading environment. But Mr Martin Long, chief executive, said: "Clearly set-ting up this whole infrastructure gives us opportunities other than just repairing cars
for example servicing, MOTs or supplying spare parts and

A move into motor car maintainence would mark a further convergence between financial services and other industries following the decision by Tesco, the supermarket chain, later this year elsewhere in

pressure on Direct Line, the UK's largest private motor insurer, which has begun setting up a similar chain of garages. Centres have opened so far in Wakefield and Croydon. Direct Line said there were "no plans at the moment" to move into maintainence but "it would be silly to say

never". Developing traditional ser-vices offered by garages would ings stream for telephone-based insurers, it would also allow them to offer a more

However there may be some concern among shareholders at move by insurance companies beyond their traditional areas of expertise.

Telephone-based insurers have already diversified into home and travel insurance, Line are considering offering pet insurance. Churchill has not yet set a timetable for vices which it offers to motor

### England. Within three years it to offer its Clubcard loyalty attractive package to drivers, expects to have a network of at cardholders debit and interest who would be able to deal expects to have a network of at cardholders debit and interest least 10. paying facilities. Churchill's initiative will put with a single company to look after all aspects of running a The garages are part of

Churchill, one of the UK's largest telephone-based motor insurers, is planning to trigger

repairs.
The group, which is owned by Winterthur, the large Swiss insurer, is looking to gain extra benefits from a network of garages it has begun setting up to do complete crash repairs for Churchill's 600,000 motor

## **Brokers raise French and** German growth forecasts

Leading broking houses have

lifted economic growth forecasts for Germany and France, Europe's most important economies. They expect stronger growth to boost shares in some cyclical and consumer sectors. Morgan Stanley has upgraded this year's gross domestic product growth forecast for France from 1 per cent to 1.7 per cent, and expects 2.7 per cent next year. It believes Germany's year-on-year GDP growth for the second half should reach 3 per cent.

"We're at a turning point," says Mr Paul Brunker, European strategist at Robert Fleming Securities. "Improved industrial orders in Germany, unexpectedly strong continental car sales and rising French business confidence indicators are all pointing one way." The weakness in inflation-

ary pressure suggests con-sumer spending is unlikely to be choked off by monetary tightening," says Mr Oliver Kamm, European equity strategist at James Capel.

This optimism has yet to be fully reflected in stock valuations. "People are still scarred by the first leg of the cycle in 1993 and 1994 which petered out," says Mr Brunker. Most investment houses rec-

ommend industrial cyclicals such as the chemicals sector, which has outperformed the FT/S&P-A Europe Index by only 10 per cent in the past year. They also favour forestry, which in the past year has under-performed 20 per cent.

Mr Markus Rosgen, European strategist at Morgan Stanley, believes consumer cyclicals could benefit from the higher-than-expected growth. He recommends retailers, airlines and hotel groups which

But some cyclical sectors remain vulnerable, says Mr Kamm at James Capel. The steel industry is still having a torrid time, suffering from high stocks and weak prices.

are more vulnerable than others, says Mr Kamm. The Netherlands looks fully valued, high price/earnings multiples. Not all analysts believe in the recovery. Mr Andrew Bell, European equity strategist at

Moreover, some countries

BZW, says it has downgraded this year's forecasts for Europe, excluding the UK. "There's a three-month risk period. We'll have to wait for first-half results. But at present, there's no firm floor to earnings forecasts and there's a significant risk of disappoint-

European financial results,



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for the 80 remaining Salisbury

Facia's specialist lingerie

## Sale of Facia units saves 1,300 jobs

The receivers to Facia Group, the failed retailing chain, yesterday claimed to have saved nearly 1,300 jobs by finding buyers for high street stores including Salisbury, Contessa

and Sock Shop. KPMG, the receiver for some 500 former Facia outlets, said that secured creditors would be paid in full following the disposal of most of the group's subsidiary United Mizrahi Bank of

**Heron sits** 

on £110m

acquisitions

Heron International, the

property company run by Mr

Gerald Ronson which was res-cued last year by a US investor

group, has built a £110m cash

The company's first annual accounts since its near collapse

show that it had net assets of

£188m at the end of 1995, equiv-

alent to assets per share of

about 200p, and net debt of

It has since sold about £150m

of properties, including the

£24m sale last week of the Vic-

toria Place Shopping Centre in

Further disposals of up to

£40m are likely during the

remainder of this year as the

company sheds properties

which do not meet its invest-

Some of this cash will be

used to finance property devel-

opment projects in Barcelona and in Madrid, where Heron is

converting a 120,000 so it office

block into flats. It is also

looking for developments in the City and West End of Lon-

The total cost of the develop-

ment programme is likely to be

about £100m, although more

than half could be raised from

Mr Ronson has also said that

It is bidding for £300m of

property assets being sold by

is also trying to acquire Cale-donian Land, the Scottish industrial property company

with assets of about £100m which is being sold by SPP,

the Swedish financial institu-Heron's US shareholders, led

by Mr Steven Green, the entre-

preneur and former head of the Samsonite luggage business, last year paid £141.6m for an 80

per cent stake in what was

The original shareholders

his long-time business partner.

remaining 20 per cent.

Heron is looking for large prop-

central London.

ment criteria.

pile to finance acquisitions.

cash for

By Simon London, Property Correspondent

to seek buyers for the stores, is expected to receive about £7m to cover outstanding loans to

Although it declined to break down the value of the deals agreed at the weekend, KPMG said it was satisfied at the prices secured from a number of privately-owned retail bid-

Some 75 Sock Shop outlets have been acquired for a "substantial but undisclosed sum" by Jumper, the UK retail chain, while fashion chain Red or Dead has been sold to Mr

Williams Holdings is poised to

unveil the sale of its electronics business to management

More disposals are expected

to follow as the industrial con-

glomerate, which is chaired by Sir Nigel Rudd, divests peripheral businesses to sharpen its focus on three core areas: fire

protection, locks, and building

A clutch of well-known

brands, ranging from Small-

bone fitted kitchens and

Amdega conservatories to

Valor heaters and VI-Spring

beds, are thought to be for sale

if acceptable prices can be

The electronics sale now

nearing agreement is believed to be modelled on the disposal

of Williams' Cortworth engi-

Cortworth, with annual sales

of £46m, was sold to its manag-

ers in December 1998 for

£40.3m. Williams retained a 19

per cent stake, which last

November was worth £13.6m when Cortworth was floated

with a market capitalisation of

Williams' electronics busi-

ness embraces three companies

which formed part of its

1988 acquisition of another

conglomerate, Pilgrim House. They claim to be leading manufacturers of micros-

witches, motors, timers

and programmable controllers for use in cars, consumer goods and office equipment.

Mercedes-Benz is a key cus-

military bridging business, with which they share manage-

ment, last year they made an

achieved

£71\_6m\_

neering business.

for about £80m.

Hemmingway, its former own-

Mr Tony Thompson, corporate recovery partner at KPMG, said: "We have now been able to sell the bulk of the Facia stores in receivership and thereby save nearly 1,000

receivers to Facia's Salisbury huggage chain, said it had sold 52 outlets to Carlton International, another privately-owned

to managers for about £80m

Fifteen months ago, Mr Mr Maurice Withall, the receiver, said the deal would safeguard about 300 jobs. He Paphitis bought the Ryman

Williams set to sell electronics side

was hopeful of finding buyers . The Facia outlets still to be sold include about 40 Contessa stores and a dozen Sock Shop

Earlier this month, it sold 29 shops to Mister Minit, the pri-Facia's Oakland men's vately-owned Swiss store group.

KPMG, moreover, said that Chancereahn Group, the holding company owned by entre shionwear business and the Tork jewellery chain also remain to be sold, although a deal is expected shortly.

The rest of the Facia Group, preneur Mr Theo Paphitis, had acquired 80 Contessa stores.

comprising 880 shoe shops pre-viously owned by Sears, has been placed in administration under Price Waterhouse. They are unaffected by the latest

### **Anglian** Water to step out of its area

Anglian Water is close to becoming the first utility to provide water direct to a cusimmer outside of its area under government plans for

increased competition in the monopoly water industry.

A decision by Ofwat, the industry regulator, last week has removed the largest obsta-cie to the deal so far. Anglian now believes that the final stages of the plan, the first of its kind, will start at the end of this week with a public con-

Mr John Smith, director of regulation at Anglian Water Services, said: "We are fairly close now to getting the licence.

The utility first applied to sell water to Buxted Chickens - a poultry factory currently supplied by neighbouring Esser and Suffolk Water - last August. That application was one of 15 made under the "inset appointment" scheme set up by the government four years ago to encourage competition in the monopoly water industry.

The appointments are designed to enable rival companies to supply water to large industrial users, defined as those which use more than 250 megalitres of water a year. There are about 600 such plants in the UK.

However, because of a range of legal and technical difficulties, none of the applications

have yet been agreed The Anglian deal will involve building a pipe less than 5kms long from a groundwater source in the Anglian area to the factory

near Bungay in Suffolk.
Buxied Chickens is part of
the Hillsdown Holdings group,
the food manufacturer and processor, which is already an Anglian custom

Until last week the Anglian Water proposals were held up by Ofwat suggestions that the group should set up a separate supply company for the deal. Last week Ofwat agreed that the deal could go ahead through a variation to Angli-

an's existing licence. The agreement will be the first of its kind to allow a water company to lay pipes to supply a customer in a neigh-bouring area. The plans only really allow effective competition for large customers on a

Goldsborough last November,

reduced its exposure to nurs-

ing homes, some industry ana-

lysts believe the cost of that

effort has made it vulnerable. Goldsborough, advised by SBC Warburg, last week

announced a modest 4 per cent

rise in pre-tax profits to \$3.2m,

although sales rose 31 per cent to £32m in the six months to

March 31. It was restrained

partly by increased interest

First-half profits at Westmin-

ster rose from 26.3m to £8m on

sales of £40.4m (£32.7m). Its

shares were unchanged at 318p

costs of £1.49m (£824.000).

Although Goldsborough has

### **NEWS DIGEST**

## Belhaven hopes for up to £22m

Bellhaven Brewery, the Scottish regional brewer, expects to raise up to £22m in its stock exchange placing, which is expected to value it at more than £35m.

The placing will be used to reduce borrowings, develop Belhaven's business and enable shareholders to realise part of

their investments Belhaven, which supplies its own managed and tenanted pulse, as well as the large Scottish free trade, was acquired by its management and vanture capitalists from Ascot Holdings

The pathfinder prospectus, published today, says current sales are in line with expectations. In the year to March 31 operating profit was £4.2m on turnover of £29.6m.

The brewer expects to expand by acquiring more pubs and by upgrading its existing tenanted estate.

The prospectus will be issued on July 4 and trading will begin on July 12. The flotation is sponsored by HSBC Samuel

### IP sells Capital Radio stake

IP, part of the French media group Havas, is raising £93.3m from the disposal of its 18.9 per cent holding in Capital Radio. lis stake in Capital - 13.82m shares - is being placed with UK and international investors at 675p a share. When Capital announced the sale earlier this month it said

the stake would go to institutions rather than to a single strategic investor which might use it as a foothold for a bid.

### Five Oaks in Mayfair deal

Five Oaks Investments, the property company, has bought a 25,216 sq ft freehold London office building for 26.19m in a joint venture with PDFM.

The property, in Maylair, currently produces annual rent of 2534,000. However, the partners said they would be seeking planning consent to redevelop it into an office, restaurant and shopping complex worth about £30m.

Five Oaks is subscribing for 25 per cent of the total equity of

### Brixton Estate disposal

Brixton Estate has completed the sale of a property in Melbourne, Australia, to Wing On Company International of Hong Kong for A\$36.6m (£18.9m) cash.

The 179,000 sq ft office building in St Kilda Road produces an annual income of more than A\$3.5m. Brixton will use the proceeds to invest in industrial and warehouse estates in the south-east of England.

### **Harmony Healthcare £9.6m buy**

Harmony Healthcare, the care company privately funded by four investing groups, has made its higgest acquisition to date with the £9.55m purchase of the Serene Care Group. Serene owns seven nursing homes, taking Harmony's total

Mr Andrew Cohen, chairman, said that a particular attraction of the acquisition was valid planning permission that would allow an expansion in bed capacity of about 33 per cent

### Tamaris £1.57m acquisition

Tamaris, the nursing home group, is paying up to £L57m for a 49.9 per cent stake in Continental Shelf 55, a new company formed to acquire Lodge Care, a UK-based nursing home owner and operator.

Tamaris nearly doubled its size in the year to May 30, moving from eight to 15 homes.

The acquisitions had included through Triasma Homes, which is another special-purpose

### BICC in £17m Indian cables plant venture

By Tim Burt

once the UK's largest private BICC, the international cables and construction company, has signed a £17m deal to build a and creditors, including Ronpower cables plant in India. The UK-based group has linked with RPG, the Indian son family interests, hold the The accounts reveal that Mr Ronson and Mr Alan Goldman, cables manufacturer, to tap the country's £1bn-a-year cables market. The joint venture comhave been granted options over pany RPG-BICC Power Cables a further 11 per cent of the is planning to build a plant at Nagpur in the state of

The options over 10.5m shares are exercisable from A similar joint venture between the two companies in 1994 involved an optical fibre January 1998 at 199p per share, rising by 10 per cent a year plant at Mysore. BICC's initial 26 per cent

The exercise price is based on the 150p a share that the US consortium paid for its stake in the latest venture will rise to between 38 per cent and 49 per cent in 1999.



Sir Nigel Rudd: divesting peripheral businesses in order to sharpen focus on three core areas

operating profit of £9m on sales of £115m.

Burgess has plants in Britain and Germany making compo-nents for micro-switches. It is benefiting from rising output by the British automotive industry and is increasing sales in south America. Saia, a is the main centre for volume production of micro-switches. motors and electronic control-

Westminster Health Care, one

of Britain's largest nursing

home operators, is contemplat

ing making a £70m hostile

takeover bid for its smaller

rival Goldsborough Healthcare. The company met its advis-ers at ING Barings last night

to discuss the terms of a possi-

ble bid, thought to involve a

mixed paper and cash offer valuing Goldsborough at about

Goldsborough shares closed at 119p on Friday, compared with its November 1994 flota-

Expectations of a hostile

takeover rose at the weekend

after Goldsborough rejected an

150p-160p a share.

tion price of 170p.

By Tim Burt

lers. It has a second plant in The Fairey business, which

accounts for only a small pro-portion of total sales, is thought to be for sale sepa-Analysts expect Williams to

achieve a price between £60m companies.
"This is not an underper-

forming situation," said one.

invitation by Westminster to consider a friendly approach.

chief executive, raised the pos-sibility of an agreed deal at a meeting last Friday with Mr Graham Smith, his Goldsbor-

Goldsborough, however, indi-cated yesterday that it was

unlikely to endorse a tie-up

with Westminster, which oper-

ates more than 80 purpose-built nursing homes as well as-

diagnostic imaging services and acute care sites. Sir Brian Hill, Goldsborough chairman,

said: "We are not in talks. If

there was a bid we would look

at it carefully, but at this moment, we would not wel-

Mr Pat Carter, We

ough opposite number.

hostile £70m bid for Goldsborough

to show a recovery.' Mr Roger Carr, Williams' to have explored the possibility of a trade sale and a flotation. But he concluded that Wilbest value for shareholders

"Williams have done well with

it. They have held it until

European car sales are starting

develop specialist healthcare services, has been attracted by

Goldsborough's success in

diversifying into acute care

oped such activities as an

alternative income stream to

traditional nursing homes.

Profit margins in nursing

homes have been squeezed because of a lack of funds

among some local authorities

for spending on the elderly and

Westminster last year launched a £33.7m rights issue

and arranged a £100m banking

facility to reduce borrowings

and provide funds for internal

investment and acquisitions.

the cost of buying land.

hospitals and homecare. Both companies have devel-

by following the Cortworth Westminster Health contemplates a

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BANK GESELLSCHAFT

Dividend remains at DM 11.00

At the Annual General Meeting on 14 June 1996 our shareholders resolved to use the distributable profit of the 1995 financial year totalling DM 239,885,857.00 to pay a dividend of DM 11.00 per share DM 50.00 par value on the share capital of DM 1,090,389,550.00.

The dividend will be payable from 17 June 1996 upon presentation of the Dividend Coupon No. 1.

The paying agents in Germany are the following banks and their branches: Bankgesellschaft Berlin Aktiengesellschaft or branches of Berliner Bank Aktiengeselischaft or of Landesbank Berlin -Girozentrale-

Deutsche Bank Aktiengesellschaft Baden-Württembergische Bank Aktiengesellschaft

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft Bayerische Vereinsbank Aktiengesell-

BHF-BANK Aktiengesellschaft Commersbank Aktiengesellschaft Delbrück & Co.

Dresdner Bank Aktiengesellschaft Norddeutsche Landesbank Girozentrale

DG BANK Deutsche Genossenschafts-

Sal. Oppenheim jr. & Cie. nditgesellschaft auf Aktien Trinkaus & Burkhardt nanditzesellschaft auf Aktien

Vereins- and Westbank M.M. Warburg Bank RfG Rank AG Merck, Flack & Co.

Dividend Announceme

Payment is subject to deduction of 25 per cent German investment income tax and 7.5 per cent German solldarity surcharge levied thereon (total dedu 26.875 per cent).

In I have the

In accordance with the British-German Double Taxation Agreement, withholding tax is reduced from 25 per cent to 15 per cent for shareholders resident in the United Kingdom. To claim this reduction, please submit an application for refund by 51 December 2000 to the Bundesamt fuer Finanzen, Friedhofstrasse 1, D-55225 Bonn.

Berlin, June 1996

The Board of Management

### The Macmillan Stock Exchange Yearbook 1996

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### **Ambroveneto international Bank Ltd** US\$ 150,000,000 Floating Rate Notes due 2004

in accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from June 17, 1996 to September 17, 1996 the Notes will carry an Interest Rate of 6.23828 % per annum.

The Coupon Arnount psysble on the relevant interest Psyment Data, September 17, 1996 will be US\$ 15.94 per US\$ 1,000 principal amount of Note, US\$ 159.42 per US\$ 10,000 principal amount of Note and US\$ 1,594.23 per US\$ 100,000 principal with the Note and US\$ 1,594.23 per US\$ 100,000 principal with the Note of Note and US\$ 1,594.23 per US\$ 100,000 principal with the Note of Note o



European Investment Bank

TTL 1,000,000,000,000 Ploating rate notes due March 1998

The notes will bear interest at 8.54375% per annum from 17 June 1996 to 16 September 1996. Interest payable on 16 September 1996 will amount to ITL 107,984 per ITL 5,000,000 note and ITL 1,079,835 per ITL 50,000,000

Agent: Morgan Guaranty Trust Company **JPMorgan** 



TTL 1,000,000,000,000 Ploating rate notes due December 1998

The notes will bear interest at 8.54375% per aurum from 17 June 1996 to 16 Septembe 1996. Interest payable on 16 September 1996 will amount to ITL 107,984 per ITL 5,000,000 note and ITL 1,079,835 per ITL 50,000,000

Agent: Morgan Guaranty Trust Company **JPMorgan** 

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### Istituto Bancario San Paolo di Torino S.p.A. (as successor to CREDIOP - Credito per le imprese e le Opera Pubbliche S.p.A.)

### Notice to the Holders of the outstanding

### Italian Lire 500,000,000,000 10.65 per cent. Notes due 2002

NOTICE IS HEREBY GIVEN that a meeting of the holders of the above Notas (the "hotsholders") convened by labilities Bancario Sen Paolo of Tomo S.p.A. ("San Paolo S.p.A.") will be held at the offices of Field Fisher Waterhouse as 41 Vina Street, London EC3N 2AA on 11 July 1995 at 9 45pm (London time) for the purpose of considering and, if thought is, passing the following resolution which will be proposed as an Estimandinary Resolution in accordance with the provisions of the Recal Agency Agreement") medie between Consorted of Craditio per le Copare Publishers — CREDIOP (Subsequently renamed CREDIOP — Craditio per le Impress et le Copere Publishers A.J. (to all of whose assets and labilities, including liabilities under the Notas, San Paolo S.p.A. has succeeded by way of universal succession tollowing a marger pursuant to Articles 250't to 2504 of the traition Civil Code), Banque Genérale de Lucremburg S.A. as facel agent and principal paying agent (the "Fecal Agent") and istinan Sancardo San Paolo di Tenno S.p.A. as paying agent (together with the Fiscal Agent, the "Paying Agents").

### **EXTRACADINARY RESOLUTION** That this bleeding of the holders of the outstanding Italian Line 500,000,000,000 till 55 per cent. Notes due 2002

- (i) hereby sanctions the conversion of the Notes into Notes essent by CREDIOP S.p.A. (the "Substituted with affect from 31 January 1995, subject to the following conditions:
- a guarantee being issued by lething Bancano San Paolo di Torino S.p.A. ("San Paolo S.p.A.") in lawaur of the holders of outstanding Notes and coupons in respect of the Substituted Issuer's obligitions;
- consequential amendments retaing to such conversion and such guarantee being made to the facal ejency agreement dated 17 March 1962 retaing to the Notce (the "Flacal Agency Agreement") and the latric and conditions of the Notes (the "Conditions"); and
- the Substituted leasure undertaking for the benefit of the holders of outstituding Natice and coupons to comply with, perform and observe the terms of the Flocal Agency Agreement and the Moles, including the
- by means of a guarantee, supplemental Secal agency agreement and dead poll in the term of the thate producted to the Meeting and infiballed, for the purposes of identification, by the Chairmen, and that this Meeting sanctions the execution of the same, with such minor modifications as may be approved by the Chairmen, by all inflower results.
- (ii) hareby sanctions every strengistion, modification, varietion, compromise to arrangement in respect of the holders of the holders of the coupons relating to the Notes against CREDICP —Credits per is imprise a in Opera Publiches 5.p.A. San Paolo 5.p.A. or the Substituted leaver involved in or resulting from the succession by San Paolo S.p.A. to the seates and fashibles of CREDICP —Credits per is impresse a in Opera Publiche 5.p.A. andrer the terms of paragraph (f) of this resolution; and fareby sutherfess Banque Genérale du Luxembourg S.A. (in accordance with its usual practice as fiscal agent, to currour in and evecule and do all such documents, acts, and things as may be repressely to carry out and give effect to paragraphs (f) and (ii) of this resolution.
- The attention of Notsholders is perticularly drawn to the quorum required for the Meeting and for any adjourned to which is set out in paragraph 4 of "Voting and Cuorum" below.

AVAILABILITY OF DOCUMENTS

## Copies of the Fiscal Agency Agreement, a draft supplemental fiscal agency agreement to amend the Fiscal Agency Agreement, a draft dead politio be executed by CREDIOP S.p.A. a draft guerantee to be exceed by Sen Paolo S.p.A. and chall legel opinions of Chilomenti e Associati and Field Fisher Weletmouse may be inspected at, and voting cartificates very be obtained from, the specified office of the Fiscal Agent or any of the Paying Agents given below.

- If you wish to attend and vote at the Meeting in parson, you must produce at the Meeting either your Moters), or a velid voting certificate or certificates tesued by the Receil Agent or enother Paying Agent relating to the Notate) in respect at Meeting Control or the Control of the Control of
- of which you want to yote.

  If you do not wish to assend and vote at the Meeting in person, you may either defiver your Note(a) or voting cartificate(s) to the person whom you wish to estend on your behelf or give a voting meta-uction (on a voting instruction (or a voting instruction in the case of Notes held through Cedel Bank acidet anonyme (Cedel Bank or the Euroclary System voting instructions are to be given to accordance with the present procedures of Cedel Bank or Morgan Geranty Trust Company of New York, Brussels office, so operator of the Euroclary System.
- Notin(s) may be deposited with the Faccal Agent or an activate Paying Agent or to the autheliaction of the Placet Agent or such Paying Agent) be held to its circler or under the control by a bank or other depositery for the purpose of obtaining voting obtifications or giving voting better and Agent or such Paying Agent to appoint protein, not letter them 48 hours before the time appointed for helding the Meseng (or, if applicable, any adjournment of such Meseng). Note(s) so deposited or held will not be released until the senter of the controllation of the Meseng (or, if applicable, any adjournment of such Meseng). adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 house fisad for the Meeting (or, if applicable, any such adjournment), the surrender of the receipt(s) issued
- In respect or get resource received.

  The quorum required at the Meebrg is two or more persons present holding Notes or voting certificates or being protess for for representing in the aggregate the holders of a clear majority in principal amount of the Notes for the time being outstanding, it within to minutes from the time appointed for any such Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days are more than 14 days, and as auch place as may be appointed by the Chairmen of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present holding Notes or voting carefulates or being proxise or representatives, electives the principal amount of the Notes so held or represented by them.
- affourt of the Notes no held or represented by there, livery question submitted to the Meeting will be decided by a show of transfe unions a poil is duly demended by the Chairman of the Meeting or the Issues or by one or trans persons hadding one or more Notes or voting cardificates or being provide or representatives and holding or representing in the aggregate not less then one fitted gard of the principal amount of the Notes for the time being custamiling. On a show of hencis every person who is protected a Notes or very person who is so present shall have one vote in material depth to the present shall have one vote in material depth talling in the special emount of Notes so produced or represented by the voting certificate so produced or in respect of which their person is a proxy or representative. In the case of an equality of votes the Chairman shall, both on a show of hards and on a poli, have a cassing vote in addition to the vote or votes (if any) to which he or she may be emitted as a incider of Notes or as a holder of a voting certificate or as a proxy holder or as a receive in time or provincing of not less than 25% of the votes.
- To be pessed, the Eutracritinary Resolution requires a majority in fevour consisting of not lists then 73% of the votes cast, if pessed, the Eutracritinary Resolution will be brinding on all the holders of the Notes, whether or not present at such Alesting, and upon all the holders of the coupons relating to such Notes.

### PRICAL AGENT AND PRINCIPAL PRYING AGENT Banque Générale du Lucembourg S.A. 50 Avenue J.F. Kennedy, 2951 Lucembourg

### TONE AGRICATION

Lethuto Bencerio San Paole di Torino S.p.A.
Plezza San Cerio 156, 10121 Turin, Italy
When House, 15 Carter Lane, London 5C4V 5SP

Istituto Bancario San Paolo di Torino S.p.A.

(as successor to CREDIOP - Credito per le Imprese e le Opere Pubbliche S.p.A.)

Notice to the Holders of the outstanding

Italian Lire 100,000,000,000 Floating Rate Notes due 2001

NOTICE IS HERIERY GIVEN that a meeting of the holders of the above holds (the "Noteholders") convened by tellulo Barcarto San Paolo of Torino S.p.A. ("San Paolo S.p.A.") will be held at the offices of Fleid Fisher Weishrhouse at 41 Vive Street, London ECSM 2AA on 11 July 1996 at 12.45pm (London stre) for the purpose of considering and, if thought & passing the following resolution which will be proposed as an Ecroscolinary Resolution in accordance with the provisions of the Rectal Agency Agreement dated 25 November 1990 (the "Fiscal Agency Agreement") made between Consocial of Credito per in Open Pubblishe — CREDIOP (subsequently renemed CREDIOP — Credito per in immerce a le Open Pubblishe S.p.A.) (to at all whose weeks and liabilities, including debilities under the Notes, San Paolo S.p.A. I has accessed by way of sharehall succession following a merger pursuant to Andréa 250 to 2504 of the Instan Civil Code), The Chase Manhatan Berk, N.A. as fiscal opens and principal agent (the "Riscal Agent") and Chase Manhatan Berk, N.A. as fiscal opens with the Placel Agent, the "Riscal Agent") and Chase Manhatan

EXTRAORDINARY RESOLUTION "That this Meeting of the holders of the outstanding ballen Line 100,000,000,000 Floreing Rate Notes due 2001 (the "Notes"):

(i) hereby senctions the convention of the Notes into Notes intued by CRESIOP 5.p.A. (the "Substituted traus") with effect from 31 January 1906, subject to the following conditions:

a guitarratee being issued by tratum Bencarto San Paolo of Toring S.p.A. ("San Paolo S.p.A." in tereur of the holders of outstanding Notes and coupons in respect of the Substituted trauer's obligations;

consequential emenancents relating to such conversion and such guarantee being made to the fiscal agency agreement dated 26 November 1990 relating to the Notes (the "Facul Agency Agreement"), the agent bank agreement dated 22 November 1990 relating to the Notes (the "Agent Bank Agreement") and the terms and conditions of the Notes (the "Conditions"); and

the Substituted issuer undersiting for the benefit of the holders of outstanding Notice and observe the comply with, particip, and observe the terms of the Flacal Agency Agreement, the Agent Bank Agreement and the Notice, including the Conditions, as so amended.

by Internal of a guitranter, supplemental flacel agency agreement, supplemental agent bank agreement and dead poll in the torn of the deats produced to the Meeting and initiative, for the purposes of identification, by the Chairman, and that the Meeting structures the execution of the same, with such minor modifications as may be

It havely carrieties every abrogation, modification, varietien, compromise or arrangement in respect of the rights of the holders of the rights and the holders of the supports relating to the Notes against CREDIOP – Credito per is improve electronic to the provided in or resulting from the succession by San Paglo S.p.A. to the assess and fabilities of CREDIOP – Credito per is improve electronic the succession by San Paglo S.p.A. to the assess and fabilities of CREDIOP – Credito per is improve electronic than the succession of th

(iii) hereby authories: The Chase Manhatton Benk, N.A. (in accordance with its usual practice as fiscal agent) to concur in and execute and do all such documents, acts and things as may be received by carry size and glue effect to paragraphs (i) and (ii) of this resolution."

errord by the Chairman, by all relevant parties;

by: Renque Générale du Luxambourg &A. es Piecel Agenti

### Istituto Bancario San Paolo di Torino S.p.A. (as successor to CREDIOP - Credito per le Imprese e le Opere Pubbliche S.p.A.)

the second of the passes

### Notice to the Holders of the outstanding

### Italian Lire 100,000,000,000 Floating Rate Notes due 2001

NOTICE IS HEREBY GMEN shall a meeting of the holders of the above Notes (the "founholders") convenied by Islanto Bancarto San Paolo di Torton S.p.A. ("San Paolo S.p.A.") will be held at the offices of Field Picher Waterhouse at 41 Vine Street. London ECSN 2AA on 11 July 1996 at 10.03tem (London Brist) by the purpose of consciently and, if thought fit passaring the following resolution which will be proposed as in Exhaudrinary Resolution in accordance with the provisions of the Fiscal Agency Agreement (shad a Suprement dead 24 June 1991 (the "Fiscal Agency Agreement") made between Consistance of Credito par to Open Pubblishs — CREDIOP (subsequently renewed CREDIOP — Credito per le Imprese e le Open Pubblishs, acturing leatifies under the Notes, san Paolo S.p.A.) as successed by way of universal succession following a mergie publishes under the Notes, Sol of the tablan Cwill Code). The Chase Manhattan Banti, N.A. as fiscal agent said paying agent (the "Fiscal Agent") and Chase Manhattan Banti, N.A. as fiscal agent said paying agent (the "Fiscal Agent") and Chase Manhattan Banti, N.A. as fiscal agent and paying agent (the "Fiscal Agent").

### EXTRACROMARY RESIDEUTION

"That tale Mesong of the holders of the outstanding Italian Line 100,000,000,000 Floring Rate Notes due 2001

- ions the convention of the Mates with Mates assured by CPECACP S.p.A. (the "Substituted bases") with other from 31 January 1996, author to the inter
- (a) Aguerantee being bound by Milluto Sancono San Paolo of Torino S p.A. ("Sen Paolo S.p.A.") In tercur of the holders of cuttomoding Notes and coupons in respect of the Subgitesiad security obtagoisms;
- consequential expenditures relating in some conversion and such guarantee being made to the fiscal agency agreement dated 24. June 1997 selating to the fiscal (the "Fiscal Agency Agreement"), the calculation agency agreement dated 24 June 1997 relating to the Notes (the "Calculation Agency Agreement") and the conditions of the Notes (the "Canditions"); and
- The Substanted leaser undertaining for the benefit of the holders of austineding Notes and coupons to comply with, perform and channe the terms of the Piscel Agency Agreement. The Calculation Agency Agreement and the Notes, including the Conditions, as no amended.
- we wan received to the Notice and the holdiers of the coupons reliefing to the figure against CREDIOP In impress e to Opere Publishes Sp.A., San Papio S.p.A. or the Substanted Issue spans t CREDIOP In the substanted Issue Sp.A. to the assets and fabilities of CREDIOP Credito per in Impropere Publishes S.p.A. audior the Issue Issue of participant (f) of this resolution, and healthy substanted The Chance Management (s) of this resolution, and word out the state of the Substituted Insular Involved up or Insular Substituted Insular Involved up or Insularing I

he attertion of Noteholders is pericularly drawn to the quorum required for the Meeting and for any adjourned Meeting. High is set out in peragraph 4 of "Noting and Cuonum" below.

### AMPLICATION OF DESCRIPTIONS

Copies of the Fiscal Agency Agreement, a draft supplemental fiscal agency agreement to amoud the Fiscal Agency Agreement, it to Calculation Agency Agreement, a draft supplemental calculation agency agreement to amend Calculation Agency Agreement, a draft idead poll to be elected by CREDIOP S.p.A. and draft legal aphrone of Chiloment & Acoustics and Field Fisher Materiouse may be inspected at, an VOTING AND DUDRENS

- If you do not wish to alled and vote at the Meeting in person, you may either definer your Molejsy or voting set/Scataly) in the person when you wish to alled on your barroll or give a voting instruction for a voting instruction in a voting instruction are of voting from appoint a proxy to asternit and one of the Meeting in accordance with your instructions in the case of Notes hald through Cadel Bank accided anonyme ("Cadel Bank or Mergan Gueranty Trust Company of New York States office, as operator of the Euroclear System.
- Note(s) may be deposed with the Recal Agent or the other Payrop Agent or for the estellaction of the Pacal Agent or such Payring Agent or but to the criter or under its control by a bank or other depository for the purpose of obtaining voting certification or giving voting loss nuclions and inquantity the Fascal Agent or such Payring Agent to Recomposite noted.

  In claser this rule At hours before the times appointed for holding the Makening (or. If applicable, any adjournment of such Meeting). More(s) so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of much bleedings and the surranger of the voting pertificate(s) or, not less than 48 hours before the time fixed for the Meeting for, if applicable, any such adjournment), the surre
- The quories required at the Meeting is aut or more persons present holding Notes or verificeses or being process for or representing in the aggregate a majority in principal amount of the Notes for the time being putstanding. If within helf an hour from the time aggregate a majority in principal amount of the Notes for the time being putstanding. If within helf an hour from the same aggregate for any such historing a quories, and to such present the Meeting shall stand adverse, and to such please as may be appointed by the Chaliman of the Meeting. At such edijourned Meeting the quories shall be two or more persons present holding Notes or verific contributes or being provides or representatives, whetever the principal amount of the Notes as held or representatives.
- or representation submitted to the Meeting will be decided by a show of trends unless a poll is duly demended by the Chairman of the Meeting or the Issued or by one or more persons holding one or more Notes or voting certificages or being prodes and helding or representing in the aggregate not less than one titlet part of the primopal amount of the Notes for the sime being outstanding. On a show or hands every person who is present he preson and produces a Nose or a voting cardinate or is a proxy shall have one vote. On a post every person who is so present airly have one vote in respect of each stallar Lare 1,000,000,000 principal execution to fitness so produced or represented by the voting certificate as produced or in respect of which that opening is propil, in the case of an equality of voting the Chairman shall, both on a show of hands and on a poll, have a casting vote in addition to the vote or votes (if my) to which the titley be critised as or representing a holder of Notes.
- To be pessed, the Extraordinary Resolution requires a majority in Seveur consisting of not less then 75% of the votes cast, if passed, the Extraordinary Resolution will be binding upon all the holders of the Notes, whether or not present at such Meeting, and upon all the holders of the coupons releans to such Meeting.

FISCAL AGENT AND PAYING AGENT

PRIVING AGENT The Chase Montatter Bank, N.A. Woolgate House, Coleman Street, London EC2P SHD Chees Manhattan Bank Luxembourg S.A. 5 Rue Plaste, L-239 Luxembourg-Grund

## Istituto Bancario San Paolo di Torino S.p.A.

### Italian Lire 50,000,000,000 11.30 per cent. Notes due 2001

NOTICE IS HEREBY (INVENTING a messag of the troiders of the above Notes (the "Noteholdins") convened by Issisana Bencario San Paclo of Tonno S.p.A. ("San Paclo S.p.A.") will be held at the offices of Field Plather Waterhouse as 41 Vina Street, London ECSN 2AA on 11 July 1996 at 12 moon (London store) for the purpose at controllering and, if thought it, passing the following resolution which will be proposed as an Ednandinary Resolution in accordance with the provisions of the Piscal Agency Agreement ("Smalle between Consolution of the Piscal Agency Agreement") made between Consolution of Creditors as Open Publisher — CREDIOP (Rebastownity remained CREDIOP — Credito per le Imprise a le Open Publisher S.p.A.) (to all of whose assets and fabilities, including fishibles under the Notes, San Paolo S.p.A.) has succeeded by way of universal succeeded browing a marger pursuant to Astoles 2501 to 2504 of the trailian CMI Code). The Create Maintendary Rook II. A.A. as facul agent and paying agent (the "Facul Agent") and Chasse Maintendary Bank Lucentiburg S.A. as paying agent (top store with the Placel Agent, the "Paying Agents").

### EXTRAOROMARY RESOLUTION

- "That this blearing of the holders of the automnolog linken Line \$0,000,000,000 11.30 per cent. Notes due 2001
- (i) hereby sarczons the convergion of the Notes into Notes issued by CREDIOP S.p.A. (the "Substituted issue") with effect from 31 January 1986, subject to the following conditions:
- a guarantee being issued by topute Bancerte San Poote of Toring S.p.A. ("Sen Poole S.p.A.") in ferour of the holders of outstanding House and coupons in respect of the Substituted Security Orthopatems;
- obsequential amendments relating to such conversion and such guerantee being made to the facel agency agreement dated 24 June 1991 relating to the Notes (the "Facel Agency Agreement") and the conditions of the Notes (the "Conditions"); and
- (ii) Investy senctions every sitrogetion, modification, varietion, compromese or arrangement in respect of the rights of the holders of the Notes and the holders of the coupons reteing to the Notes against CREDIOP Credito part is impress at a Opera Published Sup.A., Sam Paralo Sup.A. or the Substituted issuer involved in or resulting from the succession by San Paralo Sup.A. to the assets and thisfess of CREDIOP Credito part is impress a le Opera Published Sup.A. and/or the series of paragraph (i) of sits resolution; and

### AVAILABILITY OF DOCUMENTS

The attention of Noteholders is perfoundly drawn to the quoture required for the Meeting and for any adjourned Meeting, which is set out in paragraph 4 of "Noting and Quorum" below.

Copies of the Fiscal Agency Agraement, a trast supplemented forcet agency agreement to amount the Fiscal Agreement, in the Agent Bank Agreement, it draft supplemental agent bank agreement to amount the Agent Bank Agreement, a draft deed poli to be executed by CREDIOP S.p.A., a draft guarantee to be leased by Sen Paolo E.p.A. and draft legal opinions of Chomenti a Association and register from the property of the property of the country of the property of the property of the country of the property of the prop VOTING AND QUORUM

- If you wish to attend sink vote at the Meeting in person, you must produce at the Meeting either your Moss(s), or a walld voting certificate or certificates is usued by the Fiscal Agent or the other Psyling Agent releaning to the Note(s) is respect. of which you wish to wate.
- of which you with to vote.

  If you do not wish to attend and vote at the Meebing in person, you may either deliver your Novelps as voting certificate(s) to the person whom you wish to attend on your behalf or give a voting instruction (or a voting instruction) form obtainable from the specified office of the Fiscal Agent or the other Paying Agent to exposit a proxy to stend and vote at the Meeting in accordance with your instructions. In the case of Notes held through Cadel Bank société enorying ("Cadel Bank") or the Euroclear System voting instructions are to be given in accordance with the present procedures of Cadel Bank or Mergan Guaranty Trust Company of New York, Brussels office, as operation of the Euroclear System.
- Trust Company of New York, Brussels office, as operator of the Eurocher System seam seam or alonger Guaranty

  Note(s) may be deposited with the Fiscal Agent or the other Paying Agent or (to the satisfaction of the Pietral Agent or
  such Paying Agent) be held to its order or under its control by a bank or wher depositary for the purpose of obtaining
  such Paying Agent) be held to its order or under its control by a bank or wher depositary for the purpose of obtaining
  voting certificates or giving voting instructions and negating the Fiscal Agent or such Paying Agent payor appoints profites,
  not later than 46 hours before the time appointed for holding the Meeting (or, it applicable, any adjournment of the Meeting (or, it
  supplicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours
  before the time tissed for the Meeting (or, it applicable, any such adjournment), the surrender of the neceptial issued
  in respect of the relevant Note(s).
- In respect of the felevant Notice).

  The quartum required at the Meeting is two or more pursons present holding Notice or voting certification or being provide for or representing in the appropriate a majority in principal amount of the horses for the time being oursanding provides for or represent the Meeting shall state it wants half as how from the time appointed for any such bleeding a quorum is not present the Meeting shall state a shappointed adjourned for such period, not being less than 7 days nor more than 42 days, and to such place as may be appointed by the Chournan of the Meeting the quorum shall be two or more persons present holding by the Chournan of the Meeting the quorum shall be two or more persons present holding the Chournan of the Meeting the quorum shall be two or more persons present holding whose or voting certificates or being provides or representatives, whatever the principal amount of the Notes so held
- or represented by them.

  Every question submitted to the Meesing will be decided by a show of hunde unless a poll is duly demanded by the Chairman of the Meesing or the Issuer or by one or more persons holding one or more Notes or voting conflictures or bosing process and representatives and holding or systemining in the againgtist not less than one fitted part of the bosing process and representatives and holding or systemicists. On a chow of items every person who is present in principal amount of the Notes for the time being outstanding. On a chow of items every person who is an present in an interest and produces a Note or a voting conflicture or is present shall have one votin. On a poll every person who is an expect of each fittable Life 1,000,000,000 principal amount of Notes so produced or present shall have often and one poll, have a casting over in the case of an equality of votes the Chairman shall, both on a show of hands and on a poll, have a casting over in addition to the votes of any to which he may be entitled as or representing a holder of Notes.
- To be passed, the Exhaptimary Resolution requires a majority in larger consisting of not less than 75% of the vigina cost if passed, the Exhaptimary Resolution will be binding on at the holders of the Notes, whether or not present at such Meeting, and upon all the holders of the Coupons, relating to such Notes.

FISCAL AGENT AND PRINCIPAL PAYING AGENT

Chape Manhattan Bank Lucembourg S.A. 5 Plus Plants, L. 2005 Lucembourg S.A.

PAYING AGENT

The Chase Municipal Bank, N.A.
Woolgale House, Coleman Street, London EC2P 2HD By The Chase Manhattan Bank, N.A. as Flacal Agent

17 June 1986

### (as successor to CREDIOP - Credito per le imprese a le Opere Pubbliche S.p.A.) Notice to the Holders of the outstanding

- the Substituted issuer undertailing for the benefit of the holders of outsending Notes and coupons to comply with perform and observe the terms of the Placel Agency Agreement and the Motes, including the Companies, se so attended.
- ers of a guerantee, supplemental facal agency agreement and deed poli in the form of the distile and to the Meeting and initialisel, for the purposes of distribution, by the Chalman, and that this Meeting are the execution of the same, with auch minor modifications as may be approved by the Chairman, by
- hamply authorses The Chisse Montestan Benk, N.A. (in accordance with its usual practice as fields agent) to concur in and encuse and do all such documents, asis and shings as may be recotedary to carry our and give effect to paragraphs (it and (it) of this resolution."
- The amention of Notsholders is particularly dissent to the quotum required for the Menting and for any Adjouted Meeting which is not out to present out to present a different and Channell' below.

### AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement, a signit supplemental floors agency agreement to entend the Fiscal Agency Agreement, a chall deed politio be evaluated by CREDIOP Sup.A., a distill guarantee to be seased by San Paulo S.p.A. and chall legal copience of Chieveness of Associate and Field Fasher Welschouse may be implected at, and voting certificates may be obtained from, the specified officer of the Fiecal Agent or the other Poying Agent given below. VOTING AND QUORUM

- If you wish to algorid and vote of the Ministry in parson, you must practice as the Meeting elimin your Note(s), or a valid noting certificate or certificates facual by the Recal Agent or the other Paying Agent retailing to the Note(s) in respect of which you wish to vote.
- It you do not wish so assend and sole at the Meeting in pecton, you way often deliver your Note(x) or voting cartificate(x) to the person whom you wish to attend on your behalf or give a voting instruction from objectable from the specified office of the Fecal Agent or the other Paying Agent given below) instructing the Fiscal Agent or the other Paying Agent given below) instructing the Fiscal Agent or the other Paying Agent to expose a proximate with your instructions. In the case of Notes held through Codel Bank, so the Survey Code Bank by or the Eurocker System working instructions are to be given in accordance with the present procedures of Codel Bank, or Morgan Guaranty Trust Company of New York, Brussets office, as operator of the Eurocker System.
- Intel®(a) may be deposited with the Placal Agent or the other Poyling Agent or (to the staticization of the Placal Agent or auch Poyling Agent) by half to the order or strate as control by a bank or other deposition for the purpose of obtaining voting certificates or giving voting instructions and requiring the Placal Agent or such Poyling Agent to appoint prodes, so large stant 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting (or, if applicable, any adjournment of such Meeting) and the statists of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the summoder of the voting certification) or, not less than 48 hours before the first Board for the Meeting (or, if applicable, any such adjournment of the atmender of the recognical issued to second of the elements.
- The quotum required at the Meeting it time or more persons present habiling Moles of voting cyrillicates; or being produce for or representing at the approprial a majority in presopal arrount of the Notes for the time being custanding. If within half as hour from the time appointed for any such Meeting a quotum is not present the Meeting shall stand adjourned for such person, not being less than 7 days not more than 42 days, and to such place as may be appointed by the Chahman of the Meeting. At such adjourned Meeting the quotum shall be two or more parsons protein holding Notes or voting certificates or being presents or representatives, whelever the present extended to the Notes on held
- or represented by throws.

  Every question submitted to the Ministery will be decided by a show of beautic united at poll or duly demonded by the Chairment of the Microting or the lineary or by time or work positions holding one or more Notice or voting certificates or being probles and holding or representing in the aggregate not lock than one Which part of the principal information is blobed for the time being outstanding. On a slave of chartic every person who is present in the principal and produces: Motor or voting particular or is a princip shall have one vale. On a poil every person who is so present shall have one use the associated and in the LOCOLDIC DOD (DOD) principal amount of Notice or produced or represented by the cartificate as produced or in temporal or which the persons is a princip or representation. In the case of an equality a some the Chairman shall, both on a show of happet and on a poil, have a casting uste in addition to the value or water or excellent to be actified as an extendition to the value or water. If gray) to which he may be entitled as at representing a holder of Moles.
- To be passed, the Extraordinary Revolution inquires a majorary in favour conditing of not tree then 75% of the votes, cast, if passed, the Extraordinary Revolution will be blacking upon all the holders of the Motes, whether or not passent at sees Meeting, and upon all the holders of the Coupons relating to Auch Notes.

PACAL AGENT AND PRYING AGENT The Chaym Municipation Stants, ILA. Wisolgage House, Colonger Street, Landon BC2P 2HD

Chare Marketten Bank Usersborg S.A. 5 Rue Phate, L-238 Levenborg-Greet

By: The Chase Manhatinin Stock, N.A. as Filecal Agent

### Istituto Bancario San Paolo di Torino S.p.A. (as successor to CREDIOP - Credito per le Imprese a le Opere Pubbliche S.p.A.) Notice to the Holders of the outstanding

### Italian Lire 600,000,000,000 11% per cent. Notes due 2001

NOTICE IS HEREBY GIVEN that a meeting of the holders of the above Notes (the historicers') convened by Isaban Bancaro San Paols di Torine S.p.A. ("San Paols S.p.A.") will be held at the offices of Field Fisher Waterhouse at 41 \text{\text{Inne}} Sheet. London ECSN 2AA on 11 July 1996 at 9 D0am (London time) for the purpose of considering and, if inought is passing the following resolution with the previouse of the Fisical Agency Agreement and the fisical Agency Agreement made between Consistance of Checko par te Doard Publisher — CREDICP (subsequently renamed CREDICP — Created par te Impress o in Opera Publisher S.p.A. (to all of those assess and liabilities, including liabilities under the Notes San Paols S.p.A. Packets Tour of unwarrall succession following a mergar pursuant to Amoles 2504 to the Inatisen Civil Code) Berkers Trust Company as faces agent and principal paying agent (the "Fisical Agent") and Banco di Napoli S.p.A., Benkers Trust Limenshourg S.A. and Swess Bank Corporation as paying agent (together with the Fisical Agent, the "Paying Agents")

### EXTRAORDINARY RESOLUTION

"That plus Minglany of the Indicess of the outstanding Nation Line 800,000,000,000 ft"s per cent. Notes due 2001 other

- (4) Numby sanctions the conversion of the Notes and Notes issued by CREDIOP S.p.A. (the "Substituted Instant") with effect from 31 January 1996, subject to the following conditions. (a) a guarantee being issued by Istitute Bancario San Paolo & Tenno S.p. A. ("San Paolo S.p. A.") in taxour of
- ers of outstanding Notes and coupons in respect of the Substituted Issuer's obligations: corresiquential amendments relating to such conversion and such guarantee being made to the facel agency agreement dated 2 August 1931 relating to the Notes (as supplemented by a limit supplemental facell agency agreement dated 1st November 1991, the "Fiscal Agency Agreement") and the seims and conditions of the Notes (the "Conditions") and
- (c) the Substituted listuar undertaking for the benefit of the helders of outstanding Righes and couptins to comply with perform and observe the terms of the Flacal Agency Agreement and the Notes, including the Conditions, as so amended.
- by means of a guarantee, second supplemental facal agency agreement and deed poll in the lorin of the drafts produced to the Meeting and redailed, for the purposes of identification, by the Charman, and that this Meeting sanctions the execusion of the same, with such minor modifications as may be approved by the Charman, by
- all relevant parties.

  Interably sanctions every abrogation, motification, variation, compromise or arrangement in respect of the rights of the holders of the Notes against CREDIOP Credito per is imprace a forcers habitors in a A., San Paolo S.p.A. or the Substance tissue involved in or resulting from the subcontrol by San Paolo S.p.A. to the assess of CREDIOP Credito per to imprace a forcer habitors of a to the assess and sabelies of CREDIOP Credito per to improve a let open Published S.p.A. and/or the terms of paragraph (i) of this resolution; and

hereby authorities Bankers Trust Company (in accordance with its usual practice as fincel agent) to concur in and execute and do all such documents, acts and brings as may be recessary to carry out and give effect to

### stiterous of Nateholders is particularly drawn to the tsuorum required for the Meeting and for they adjourned Meeting this set out in paragraph 4 of "Moung and Curinum" below, AVAILABILITY OF DOCUMENTS

Copies of the Piscal Agency Agreement, a draft supplemental flacol agency agreement to amend the Piscal Agency Agreement a draft deed bot to be executed by CREDIOP S p.A., a draft guarantee to be issued by San Paole S.p.A. and draft legal agencies of Chipment e Associate and Feld Fisher Wolfemouse may be inspected at, and voting certificates may be obtained from the specified office of the Piscal Agent or any of the Paying Agents given below. VOTING AND CHORUM

- If you wish to attend and vote at the Meeting in person, you must produce at the Meeting either your Note(s), or a void voting carthicate or certificates issued by the Fiscal Agent or another Paying Agent relating to the Note(s) in nessect
- of which you want to sole

  If you do not wish to believe your Note(s) or voting
  certificate(s) to the person whom you wan to attend on your balket or give a voting instruction (on a voting instruction
  form obtainable from the specified office of the Flates Agant or another Playing Agent given below) instructing the
  Piscal Agent or another Playing Agent appoint a pearly to attend and votice at the Meeting in accordance with your
  instructions, in the case of Notes held through Cadel Barth societé analysise ("Cadel Barth or the European's property of the present your
  voting instructions are to be given in accordance with the present procedures of Cedel Barth or Morgan Guerontly
  That Company of New York, Brusce's office, as operance of the European System

  Advanced with the European Section of European Section of the European Section of t
- Hole(s) may be deposed with the Facal Agent or another Paying Agent or (to the squatation of the Pacal Agent or such Paying Agent) to held to be order or under its control by a bank or other disposition of the purpose of obtaining within cartification or giving victing dispositions and requiring the Fiscal Agent or such Paying Agent to appoint proving, not take then 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting). Addyst, so deposition or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the vicing certificate(s) or, not less than 48 hours before the absolute first Meeting (or, if applicable, any adjournment), the sumenter of the receipt(s) issued or assect of the relevant Meeting (or, if applicable, any such adjournment), the sumenter of the receipt(s) issued.
- The quorum required at the Meeting is two or more persons present holding Notes or voting certificates or being prodes for or representing in the aggregate the holders of a clear respontly in principal amount of the Notes for the stree being question(in). It within 15 infrares from the time exponited for any such Meeting a quorum is not present the Meeting shall stand adjourned for such person, not being less than 14 stays nor more than 42 days, and to such place as may be appointed by the Chairman of the Meeting. As such adjourned Meeting the quorum shall be two or more persons present holding Notes or voting certificates or being process or representatives, whetever the principal amount of the Notes so held or represented by their).
- amount of the Notics so held or represented by them, 
  Every question submitted to the Meeting will be decided by a show of hands unless, a poll it, duly demanded by the 
  Charman of the Meeting or the listuar or by one or more passons holding one or more Notics or voting cartificates or 
  being provises or representatives and holding or representing in the aggregate not less then one littleth pert of the 
  principal amount of the Notice for the time being outstanding. On a prince allow of these one who is present 
  passon and produces a Nose or a veiling certificate or is a proxy or a representative shall have one vote. On a poll 
  every particle who is so present shall have one vote for respect of each Relian Line 5.000.000 principal amount of 
  Notes to produced or represented by the voting certificate so produced or in respect of which that percon is a present 
  your representative. In the case of an equality of votes the Charman shall, both on a show of heads and on a poll, have 
  a casting vote in addition to the vote or votes (if any) to which he may be entitled as a holder of Notes or as a proxy holder or as a representative.

  The accomplished the Extraordinary Meeting certificate is representative.
- To be passed, the Extraordinary Resolution require a majority in livour consisting of not less than 76% of the votes cast, if passed, the Extraordinary Resolution will be binding upon all the holders of the Notes, whether or not present at such Meeting, and upon all the holders of the coupons relating to such Notes.

. FIRCAL AGENT AND PRINCIPAL PAYING AGENT

### Bankers Trust Company 1Appoid Street, Broadgate, London EC2A2HE

PAYING AGENTS

Battop di Napoli S.p.A. Mitan Branch Plazza Corcuso, 20123 Milan Senters Trust Littembourg S.A. PO Box 80? 14 Soulevard F.D. Rossevek, L-2450 Lister vet. L-2450 Luxembours By: Bankers Trust Cotoperly as Floori Agent

17 June 1996

Buries Black Corporat

### istituto Bancarlo Sen Paolo di Torino S.p.A. (as successor to CREDIOP - Credito per le Imprese e le Opere Pubbliche S.p.A.)

### Notice to the Holders of the outstanding Italian Lire 120,000,000,000 Floating Rate Notes due 2002

NOTICE IS HEREBY GIVEN that a impeting of the Incident of the above Notes (the "Noteholders") convened by lethalic Bencario San Puolo of Torno 8.p.A. ("San Paolo 8.p.A.") will be hald at the offices of Field Pather Waserhouse at 41 Vine Street. London ECSN 2AA on 11 July 1985 et 11. Earn (London ama) for the purpose of connecting and, it thought it passing the following resolution which will be proposed as an Europortunary Resolution in accordance with the provisions of the Faced Agency Agreement deand 22 February 1991 (the "Recal Agency Agreement") inside between Consource of Crodito per in Openia Publisher — CREDIGP (subsequently renamed CREDIGP — Checks per in Impress a le Opera Publisher 8.p.A.) (to all of whose exists and leafilities. Including leadilities under the Notes, San Paolo 8.p.A. Imm successed by way of universal succession following a merger bursuant to Articles 250 to 3504 of the Italian Crid Code). The Chase Manhattan Bank, N.A. se fiscal agent and principal paying agent (the "Fiscal Agent") and Chase Manhattan Bank, N.A. se fiscal agent and principal paying agent (the "Fiscal Agent").

### SYTHAORDINARY RISOLUTION

"That this Meeting of the holders of the outstanding Italian Line 120,000,000,000 Fishing Rate Notes due 2002

- briefly sendices the conversion of the Notes into Notes situated by GREDIOP 8 p.A. (the "Substituted Issuer") with effect from 31 January 1996, subject to the following conditions:
- a guarantee being sisued by istrute Bencento Sen Paolo di Terino S.p.A. ("Sen Paolo S.p.A.") in lavour of the holders of outstanding Notes and coupons in respect of the Substituted Issuer's obligations; consequential immendments retailing to such convention and such guarantee being made to the flacial agency agreement dated 22 February 1991 retailing to the Notes (the "Fiscal Agency Agreement"), the agent bank agreement dated 22 February 1991 retailing to the Notes (the "Agent Bank Agreement") and the terms and conditions of the Notes (the "Conditions"), and
- the Substanted issuer undertaking for the benefit of the holders of outstanding Moles and chupons to comply with perform and observe the terms of the Frical Agency Agreement. The Agent Bank Agreement and the Notes, including the Conditions, as to emended.
- by means of a guarantee, supplemental issual agency agreement, supplemental agent bank agreement and deed poll in the form of the drafts produced to the Atlasting and initialised, for the purposes of identification, by the Chairman, and that this Meaning senctions his execution of the same, with such minor modifications as may be approved by the Chairman, by all relevant parties; hereby serctions every abtogation, modification, variation, compromise or avangement in respect of the rights of the holders of the Notes and the holders of the coupons retaining to the Notes against CREDIOP – Credito per le lurpress e la Opera Publishon 6.p.A., San Paolo 5.p.A. or the Substituted issuer involved in or resulting from the succession by San Paolo 5.p.A. to the assists and fatables of CREDIOP – Credito per la Impress e la Opera Publishot 5.p.A. and/or this terms of paragraph (f) of this resolution, and
- hereby authorises The Chase Marhaber Bank, N.A. (in accordance with its usual practice as fiscal agent) to comput in and execuse and do all such documents, acts and things as may be necessary to carry out and give effect to paragraphs (i) and (ii) of the resolution."

e attention of Noteholders is periodality dispenso the quotum required for the Meeting and for any adjourned Meeting oth usest out in periograph 4 of "Voting and Choruth" below

### AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement, a draft supplemental facal agency agreement to amend the Fiscal Agency Agreement, the Agency Bank Agreement, a draft supplemental agency bank agreement to amend the Agency Bank Agreement, a draft deed only to be executed by CREDIOP S.A.A. a draft journates to be taked by San Pacid S.y.A. and draft legal opinions of Chromenia Associate and Field Fisher Waterhouse may be inspected at and voting certificates may ined from, the specified office of the Fiscal Agent or the other Paying Agent given below,

- **YOTING AND QUORUM** If you wish to altered and vote at the Meeting in Pérson, you must produce at the Meeting either your Nose(s), or a wisk voting confricite or confricities insued by the Fiscal Agont or the other Poying Agont retaining to the Note(s) in respect
- It you do not wish to lettend and votte at the Meeting in person, you may either deliver your Note(a) or voting certificage(s) to the person whom you wish to attend on your behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Friscal Agent or the other Paying Agent piven below) instructing the Fiscal Agent or the other Paying Agent piven below) instructing the Fiscal Agent or the other Paying Agent piven below) instructing the Fiscal Agent or the other Paying Agent in appoint a proxy to attend and vote at the Meeting in accordance with your instructions. In the case of Notes hed through Cedel Bank sproker (accordance with the present procedures of Cedel Bank or Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System.
- Note(s) may be deposited with the Fiscal Agent or the other Paying Agent or (to the satisfaction of the Fiscal Agent or such Paying Agent part or the head to the Fiscal Agent or such Paying Agent part or the purpose of obtaining voting cartification or groung voting instructions and requiring the Fiscal Agent or such Paying Agent to appoint proses, and later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such likering). Noting is described in the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting cartificatio(s) or, not less than 48 hours before the lime fixed for the Meeting) and the surrender of the voting cartificatio(s) or, not less than 48 hours before the lime fixed for the Meeting) (or, if applicable, any such adjournment), the surrender of the receipt(s) issued for the Meeting (Note).
- The Quorum required at the Meeting is, two or more persons present holding Notes or voting certificates or being promote for or representing in the aggregate a majority in principal amount of the Notes for the time being outstanding. It within half an hour from the time appropried for any such Meeting a quorum is not present the Meeting studenting shall stand edigiunted for furthe period, not being less than 7 days not more than 42 days, and to such place as may be appointed by the Chairmán of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present holding Notes or voting certificates or being prodes or representatives, whatever the principal amount of the Notes so held
- or represented by frem.

  Every question submitted to the Meeting will be decided by a show of hands unless a politis duly demanded by the Chairman of the Meeting or the lessing or the appropriate not less than one fitted and of the products and representatives and holding or representing in the appropriate not less than one fitted part of the product of the Notes for the time being dutsfunding. On a shew of hands every person who is present and products a Notes or uning certificate or is a proxy shall have one vets. On a poil every person who is so present shall have one vets in respect of each hallon Lie v.000,000,000 purcept amount of Notes so produced or represented by the veting certificate as produced or in respect of which that person is a few or in the case of an equality of votes the Chairman shall, both on a show of hands and on a polit, have a casting vote in addition to the vote or votes (if any) is whigh a final post extends and on a polit, have a casting vote in addition to the vote or votes (if any) is whigh a final post extends and on a polit, have a casting vote in addition to the vote.
- To be passed, the Extraordinary Resolution requires a majority in fevour consisting of net less than 75% of the votes east. If passed, the Extraordinary Resolution will be binding on all the holders of the Notes, whether or net present at such Meeting, and uppn all the holders at the coupons relating to such Notes.

FISCAL AGENT AND PRINCIPAL PRYING AGENT The Chase Manhattan Bank, N.A. Wasigate House, Colonian Street, London EG2P 2HD

PAYING AGENT Chase Menhattan Bank Lupembourg S.A. 5 Rue Pisets, L-2338 Lurembourg-Grand

By The Chose Machation Bank, N.A. as Placel Agent

17 June 1996

## Ferfin changes its name to Compart

By Robert Graham in Rome

The last vestige of the Ferruzzi family's short-lived agro-indus-trial empire disappeared over the weekend with Ferruzzi Finanziaria (Ferfin), the financial holding company, adopting the new name of Compart.

Compart (Compagnia di Partecipazioni Assicurative ed Industriali) was a shelf com-pany in the group briefly active from 1969 to 1991.

The disappearence of the Ferruzzi connection was part of a "radical shake-up" in the shareholders, according to Mr providing the rescue package

Luigi Lucchini, the Ferfin have become the major sharechairman who became the new head of Compart. A small core of shareholders

has been formed owning 6 per cent of the freshly baptised Compart, which controls 30 per cent of Montedison, the industrial holding company. This core is led by Mr Lucchini, who owns 1.5 per cent of the stock and has won three seats on a new board.

Since the collapse of Ferfin in 1993 with over L30,000bn (\$19.4bn) of debts, the Ferruzzi family interests have been progressively reduced as banks holders. Before the weekend move, seven banks, headed by Mediobanca, the powerful Milan merchant bank, owned over 58 per cent of shares. The banks also exercised control through representatives on the

The old Ferfin board has been enlarged to eight in the new Compart in recognition of the new core of small shareholders. At the same time, Mr Giorgio Rossi, chairman of the troubled investment company Gemina that sought an abor-

The new board members are Mr Ruggero Brunori, chief executive of Ferriera Valsabbia, an industrial group with a L800bn annual turnover: Mr Loris Fontana, a steel magnate; Mr Giuseppe Gazzoni Frascara, a Bologna industrial-

ist and chairman of Bologna football club; and Mr Carlos Fitz-James Stuart y Martinez, son of the Duchess of Alba and representing the Generali insurance group. Only Mr Luc-chini has revealed the size of his shareholding, but the other stakes in the core group are believed to be between 1 and

"This is the embryo of a hard core of shareholders formed by people who not only have invested in shares but also have the credibility to resolve our company's image problems," said Mr Lucchini.

Last year Ferfin moved back into profit, recording a net sur-plus of L11bn against a 1994 loss of Leebn. Profits are expected to improve this year, especially after the divestment of the Il Messaggero group. This and the sale of its Tele-montecarlo TV channel is expected to bring L356hn in income over the next three

### Hollywood lingerie chain looks for support

By Christopher Parket in Los Angeles

Frederick's of Hollywood has been put up for sale. The 200outlet naughty undies chain, opened 60 years ago to fulfil the fantasies of returning second world war GIs, has drooped under pressure from silicone and subtler resiliers.

The company which intro-duced Rising Star, the first push-up bra, to offer every woman the Betty Grable pro-file, is looking for a buyer for the 50.2 per cent of the stock held by the founding Mellinger family trust. family trust.

Other options being investi-gated by adviser Jamey Mont-gomery Scott include a joint venture, recapitalisation, a share huv-back or asset sales. Last Christmas was the worst on record, Mr George Townson, chief executive, said

at the weekend. Earnings are still falling. and recorded a decline in the current year's second quarter of more than 40 per cent to \$1.2m on revenues of \$45m. Full-year sales of \$148m in 1995 yielded net income of just

Mr Townson, who was hired in 1985 to clean up the company's act - he threw out sex toys, painted the shops in pas-tel colours and shifted advertising from Penthouse to Vogue - said the trust holdings were worth some \$18m at current stock market value-

tions. However, the company could find no way of avoiding the effects of the silicon implant and the encroachments of mass market manufacturers and retailers led by The Limit-ed's lingerie subsidiary, Victo-

Wonderbra, a brand owned by Sara Lee, the US consumer products group, has attracted many imitators and, under the influence of names such as Calvin Klein, underwear has evolved into a fushion them. There appears nowhere for Frederick's to turn with its crimson frillies except, perhaps, for the recently-opened lingeria museum at its main Purple Palace store on Holly-

wood Boulevard.

## NEWS DIGEST

Hollinger to raise \$750m of finance

Hollinger International, a US-based holding company in the publishing group controlled by Mr Conrad Black, has outlined plans to raise about US\$750m in debt and equity to finance a series of recent deals. The issues aim to replace short-term bank debt incurred in the buy-out of minority shareholders in the UK Telegraph group and the expansion of Hollinger's stake in Canada's Southam newspaper chain from 21 per cent to 41 per cent. Mr Black also plans to raise Hollinger's stake in Southam in the near future to at least a clear majority.

Hollinger International, 66.5 per cent-held by Toronto-based Hollinger Inc. plans a public offer of 13m Class A common shares, plus 1.95m shares at the underwriters' option. The offer, due to be launched in the third quarter, would be worth \$175m at the price at which Hollinger shares closed on the New York Stock Exchange last Friday. The underwriting group will be led by Merrill Lynch, Bear Stearns, and Donaldson Lufkin and Jenrette. Part of the issue will be offered to international investors by CIBC Wood Gundy and Toronto Dominion Securities.

Hollinger also plans to raise \$250m through securities convertible into common shares in 1999, and to issue \$825m of debt securities after the equity offering, subject to market conditions. The share issues will dilute the parent company's equity stake in Hollinger International to 55.2 per cent, but Hollinger Inc will retain an 82.3 per cent voting interest. Bernard Stmon, Toronto

### Gengold lifts reserves

Gengold, the gold mining subsidiary of Gencor, the South African mining multinational, has increased its available gold reserves by an estimated 300 tons by merging its Kinross mine with its other gold interests in the southern Orange Free State. Mr Tom Dale, managing director, said Kinross would acquire the mining operations of Windelhaak, Leslie and cken mines from July 1, when they would be delisted from the Johannesburg and London stock exchanges, The merged operation, to be known as Evander Gold Mines, would acquire 14,107 hectares and 5,550 hectares of virgin mineral rights from Gencor and Randex respectively.

Gengold will cancel existing management contracts with Windelhaak, Leslie and Kinross mines. But analysts doubted the move would hasten restructuring at other South African mining finance houses, which have been criticised for their reluctance to abandon management contracts with individual gold mines. Mr Tom Dale, managing director, said the merger was "a further step towards Geogold's strategic vision of creating a single, focused gold investment vehicle". It follows the sale of four marginal mines to Randgold last year.

Mark Ashurst, Cape Town

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### Mixed results on Fokker claims

Receivers in charge of Fokker, the bankrupt Dutch aircraft maker, believe they will be able to settle in full claims on the company by government agencies and secured creditors. Ordinary creditors were likely to receive a partial settlement, they said on Friday, but holders of subordinated bonds and shares were unlikely to receive any payment. Provisional accounts submitted by the receivers to the

Amsterdam district court showed that Fokker suffered a net loss of Fl 1.3bn (\$762m) in 1995 on sales of Fl 3.7bn. Fokker was declared bankrupt on March 15 after heavy cumulative losses forced majority shareholder Daimler Benz of Germany to cut off financial support. Reuter, Amsterdas

### Philips buys Polish light plant

Philips, the Dutch electronics group, is to buy Polam Pablanics, a Polish light bulb factory, in a landmark desi with the country's Progress Investment Fund, jointly-managed by Raiffelsen of Austria and WS Atkins, the UK consultancy, The deal with Progress, one of the 15 funds established last year under Poland's Mass Privatisation Programme, is the first transaction where a fund has sold a controlling share in one of its companies to a foreign investor.

Philips will pay \$10m for a 60 per cent share in Pabianica. giving the Dutch group local production in every sector of the lighting business in Poland. Philips, which began its purchases in Poland in 1991 with the Pila light bulb plant, has invested over \$250m on buying and modernising six plants. It intends to spend a further \$70m on investments locally in the near future. Pabianice, which reported a 5m zlotys (\$1.8m) net profit on sales of 65.2m zlotys last year, specialises in bulbs for the car industry. General Electric of the US and Osram from Germany were the other lighting groups bidding for the plant. Christopher Bobinski, Warsaw

### Fertiliser boosts Tata Chemicals

A strong performance in the fertiliser business helped Tata Chemicals, the Indian chemical, fertilises and cement group, offset a sharp fall in income from investment. The group lifted net profit 38 per cent to Rs8.95bn (\$113m) for the year ended March 31 from Rs2.86bn a year earlier. Sales rose 96 per cent to Rs15.34bn from Rs7.84bn. The company said this reflected the benefits of the first full year of operation of its gas-based nitrogenous fertiliser factory at Babrala in Uttar Pradesh with expacity of 2.250 tonnes a day.

Interest costs rose 143.7 per cent to Rs2.36bn and depreciation claimed Rs1.65bn, against Rs460m last time, because of the fertiliser project. The company plans to maintain the annual dividend of Rs6.5 a share. But the dividend is to be paid on capital increased to Rs1.81bn by a

bonus issue of three new shares for every five held.

Tata Chemicals is raising the capacity of its soda ash plant from 700,000 tonnes to 1m tonnes a year. The Rs4.5bn move will make the company the world's largest producer of soda ash. It is also planning to double the capacity of its fertiliser factory with an investment of Rs13bn. Kunai Bose, Calcutto

■ Hindustan Copper, India's only copper group, increased after-tax profits from Rs723m to a record Rs763m in the year to end-March. Earnings per share rose from Rs2.37 to Rs2.50.

### Carlsberg first half boosted Normandy back with merger plan by jump in financial income

By Mildd Talt in Sydney

Australia's Normandy Mining has again presented its own plans for a four-way merger a week after seeing off unwanted overtures from Newcrest Mining, the Australian gold producer. The merger would create a resources eroup with an estimated A\$3bn (US\$2.37bn) as the eighth largest gold pro-

ducer worldwide. Normandy is proposing a merger, via three separate share swaps, of its own interests and those of PosGold, Gold Mines of Kalgoolle, and North Flinders Mines. Normandy owns 50.1 per cent of PosGold, which in turn holds 31 per cent of GMK and 49 per cent of North Flinders. All four companies are listed on the Austra-

lian Stock Exchange. Normandy said the terms would be 157 Normandy shares for every 100 PosGold and 71 Normandy shares for every 100 GMK, unchanged from before. There would also be an offer of 425 Normandy shares for every 100 NFM, consistent with the original deal, but not including the original "Tanami option". Normandy has previously

would simplify the group's structure and make it more appealing to investors. Normandy, headed by Mr Robert Champion de Crespigny, first mooted the plan in

claimed the four-way merger

receiving shareholder approv als earlier this year when Newcrest, a smaller gold-mining company, sought to join the

Newcrest snapped up a 14.9 per cent stake in its would-be marriage pariner, and a fur-ther 12.5 per cent in PosGold at a cost of around A\$450m, and proceeded to block the original merger plan at shareholder meetings in March.

After negotiations with Normandy failed, Newcrest finally backed off a week ago, saying it would not block the original merger plan if it was re-presented. Newcrest is expected to dispose of its stakes. RTZ-CRA, the Anglo-Austra lian mining group, has referred its planned Kintyre uranium mining project to the Western Australian Environmental Protection Authority - kicking off the formal approval process

necessary before mining starts. RTZ-CRA becomes the secand company to actively seek approval for a new pranium mine in Australia since the change of federal government in March. New mines had been barred for over a decade, due to the Labor governments' three mines policy".

After the conservative Liberal-National coalition government won office this year, this policy ceased to apply. North, the Melbourne-based group, is already pursuing plans for a new mine at Jabluka in the November. It was close to Northern Territory.

FT Conference 30 & 31 October 1996

# PROFILE

Strong growth in net financial income from DKr87m to DKr211m helped lift pre-tax profits at Carlsberg, the brewery group, from DKr607m to DKr741m (\$126m) for its first half to March 31. The results were struck on sales up 8 per cent to from DKr7.87bn to

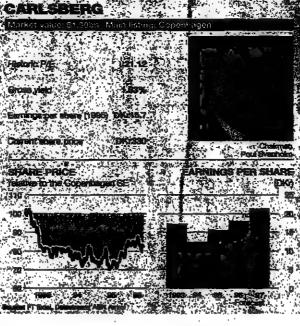
Carisberg attributed a third of the advance in sales to acquisitions, adding that a 10 per cent increase in sales of its brands in the UK, where it has a 60 per cent share in Caris-berg Tetley, also contributed. Operating profits moved up 2 per cent from DKr520m to DKr530m, but the margin on sales slipped to 6.2 per cent, the weakest performance for

five years. The results were influenced by heavy spending on the relocation of the Tuborg brand brewing operation in Copenhagen, as well as heavy international spending on advertis-ing and sponsorship contracts with a view to strengthening the Carlsberg and Tuborg names.

Spending on marketing was especially high in Asia, a mar-ket which Carlsberg entered before most of its international rivals by establishing brew-eries in Hong Kong and Malaysia in the 1970s.

The company is expanding in

most of the big Asia markets,



including China, Thailand, Vietnam and India, and expects the region to account for an ever-increasing share of

New international projects were launched in the half year in China, Croatia, Poland and Romania. At the same time, however, Carlsberg is meeting tough competition in Asia from other international brewery groups which have come into the market more recently.

Among non-beverage parts of the group, Royal Copenhagen, the industrial arts subsidiary, put in an improved perfor-

mance The group maintained its earlier forecast that operating profits for the year would be at "almost the same level" as last year's DKrl.2bn, assuming no saverse changes in exchange rates. Net financial income for the full year will be modestly shead of last year's DKr208m.

## Second Brazilian rail concession sold

The second of six stages of the privatisation of Brazil's federal rail network has been completed with the sale of a 30year concession to manage 7,000km of track in the east of Brazil. The buyer is a consor-tium led by government-con-trolled mining group Compan-hia Vale do Rio Doce (CVRD) and including US railways operator Railtex International. The consortium was the only bidder at the auction on the Rio de Janeiro stock exchange and paid the minimum price of

R\$316.9m (US\$316.87m). Its other members are Brazilian steel company CSN; indus-trial group MPE; Varbra and Ralph Partners, two investment groups operated by the local bank Garantia; Judori, a São Paulo investment group; and Interferrea, a group of Bra-

zilian investors in transport. CVRD and Railtex originally led separate consortia but decided last week to join forces. CVRD was reportedly prepared to pay much more than the minimum price to secure the concession. "This part of the network is worth a lot to CVRD because of Marreco, CVRD's transport director. "We are very happy to have bought it for the minimum price." The concession covers an

its connection with our own railway," said Mr José Carlos

area running from Rio de Janeiro in the south-east to the north-eastern state of Sergipe and inland to the capital, Brasilia. Connection is possible with CVRD's own railway, used mainly to carry from ore from the state of Minns Garals to its port at Vitoria. Mr Marreco expects freight

on the concession to rise from 16m to 30m tonnes a year by the end of the decade, and sales from R\$190m to R\$300m. Under the terms of the sale. the consortium must invest R\$900m over the 30 years of the concession, including R\$300m

in the first six years.

Mr Morreco gald investments might exceed this minimum. Much of the network's rolling stock is in poor condition, with 126 of the concession's 394 locomotives out of service.

The government hopes to sell four more rail concessions this year. The first, in western Brazil, has already been sold to a consortium led by the Noel Group of the US for R\$62.36m.



INSTITUTION FOR PAYMENT TRANSACTIONS Central Office Ul. Nikole Jurišića 17, Zagreb, Crostia

INVITATION FOR BIDS

international public

Successful bidder is expected to provide a complete solution for the upgrade of current IBM mainframe computers in ZAP's main operations centre and country regional sites.

Eligible Bldders and products and services:
 This Invitation for Bids (IFB) is open to all suppliers from eligible

1.2 All products and services to be delivered under the contract shall have their origin in eligible source countries and all expenditures made under the contract will be limited to such products and services. 1.3 The Bidder shall bear all cost and risks associated with the preparation and aubmission of its bids.

Bidding Documents: Detailed description of general conditions of the first stage bidding and technical specifications are contained in the Bidding Documents.

Bidders may inspect the Bidding Documents during week days at the institution for Payment Transactions, Central Office, Department for Informatics technology, Utica grada Vukovara 70/II, tel: 385 1 6127-260, 385 1 6127-128, fee: 385 1 6127 384 between 8a.m. and 3p.m. 3.1 Prior to Inspecting the Bidding Documents Representatives of the

for the selection of the most suitable bidder for the supply of maintrame computers with corresponding software - first stage Bidder must represent written authorisation to represent the Bidder. 3.2 Purchase price of Bidding Documents is USD 2.000 payable to the Institution of Payment Transactions bank account No. as specified in the Bidding Documents.

> Criteris for selection of best bld; Cluality of the proposed solution;
>  Product availability;

Estimate/analysis of system opera-tions costs;

Business environment expectations;

Flights to ownership of informatics solutions;

The bids must be submitted within 45 days of the announcement

6. The Purchaser will open all first stage bids at the place and time specified in the Bidding Documents.

7. The Purchaser reserves the right to accept or reject any bids and/or to cancel the procedure for any reason at any time prior to contracting, with no obligations of any kind towards unsuccessful bidders.

### Speakers will include: FINANCIAL PIMES Sir Andrew Large Mr John Denham MP Shadow Minister for Pansions Chairman The Securities and investments Board Mr Stefano Grassi Mr lain Lumsden Pension Funds Business Manager Prime Group Group Finance Director The Standard Life Assurance Mr Jack MacNamara Company Chief Underwriter European Mr Stephen E White Uncoin National Chairman & Chief Executive Officer MetLife International Holdings, Inc. Mr Paul Smee Head of Life Insurance **Professor Steve Jones** Association of British Insurers Professor of Genetics University College London Ms Pat Rawlins Insurance Mr Manfred Lautenschlager Principal Chief Executive Tillinghast - Towers Penfin MLP AG Mr Peter Mills Mr Jacques Tulipe Strategies for International Manager Associate Director PREDICA The Henley Centre Success in a Conference supported by: GEMINI Fast-Changing Who should attend? World Senior executives from life Actuaries insurance companies Reinsurers throughout Europe Investors and fund managers Senior executives from banks and other financial London Industry analysis organisations involved 30 & 31 October 1996 in this market Consultants and brokers Registration Form FT European Life Insurance Conference 38 & 31 October 1986 FEES ARE PAYABLE IN ADVANCE rve one place at the rate of £881,25 (£750.00 plus VAT Please note that as the conference is being held in the UK, all registrants are liable to pay Value Added Tax. A VAY receipt will be sent on payment of the registration fee. Cheque enclosed made payable to FT Conferences Bartit Transfer to: FT Conferences, Midland Bank plc, City of London Corporate Office, Account Number 71009095 Sort Code 40 02 50 International, SWIFT Code MIDLGB22 (please quota delegata (tame as reference) Please charge my AMEXIMasterCardVida with £ Card number: Signature of Cardholder Constribution Policy: Concellations must be received at widing by Thorsday, 17 October 1986, and with a subject to a 37% concellation for unless a published obligate to offered. After the claim, he did replantation the wid apply, bourson substitution will not be accepted. tion Act. The information you provide will be liable on our citations and stay be op formed of load and processed companies , products, and by that party makings

Maria

## A tour of European industry in 20 sectors

FT writers and statisticians profile results for 1995 in a review by Paul Abrahams and Richard Brown

This comprehensive analysis of European company results for 1995 lists the top companies in 20 industrial sectors. Analysts and investors are increasingly

adopting a pan-European approach to spot valuation anomalies between companies

Banks . by George Graham

Such comparisons are not infallible: there may be good reasons why domestic risks outweigh apparent mis-pricing of some shares. But the exercise can be interesting and rewarding.

in similar sectors in different countries.

The review contains only publicly-quoted companies, not those in state and private hands. These have been ranked by turnover or net revenues. The only exceptions are banking, insurance and property companies which have been ranked according to their market capitalisations.

The decision to list groups by immover, when meaningful, rather than market capitalisation, is to avoid excessive weight being given to UK companies. which often have high valuations compared with their continental counterparts. The disadvantage is that fast-growing companies, such as those active in biotechnology - the subject of much interest recently thanks to the high the sector - are not included.

When possible, audited data, processed by FT Extel, have been used. But some groups have yet to publish their annual reports, so preliminary figures have been included, normally obtained from the statistical services of Datastreem, Reuters or AFX News. The currency conversions and market capitalisations used in the survey were calculated in May. The figures are for the 1995 financial year.

out on the basis of the FT-S&P Actuaries World Indices codes. Bowever, defining a sector can prove to be a problematic me of the sectors in this review, such as paper and forestry, are straightforward and universally recognised. Others, such as engineering. have proved more difficult to compile and have been modified to create more meaningful croupings.

The sectors published have been worked

A few sectors, such as steel, have not

been calculated because so few companies are quoted. Nor have conglomerates been included - the differences between such groups are often greater than the

Companies formed by mergers are represented if the deal was completed before the end of 1995. Here, the combined pro-forma results are given. six monthly intervals, covering half-year

companies, with BAg, GEC

counts and improving profit-

ability despite poor market

conditions, Daimler-Beng

Aerospace is behind them, but

is now wading through the red

ink of cutting its cost base and

crystallising its losses in Fok-

ker. French companies, nota-

bly Giat and Aerospatiale.

have barely begun to cut costs.

self-help have seen the benefit

in their share prices, but cut-ting the cost base is only a

and full-year figures.

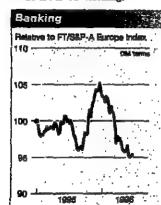
### ■ Aerospace • by Bernard Gray

## Germany reaps trading rewards Politics grabs hold of the controls

indications from shareholders' meetings are anything to go by, 1996 has started with a bang for many of the largest continental European banks.

Commerzbank reported "elnen guten Start" with operating income before provisions up 58 per cent to DM874m (\$571m) in the first quarter, while Deutsche Bank announced a 32 per cent increase in after-tax profits in the first four months to DM770m. Dresdner also more than doubled first quarter

operating profits. Indications from the Swiss banks are not so precise, but all three produced good results in the first three months of the year, one of the best to date came from CS Holding.



But investors have heeded the warning from Mr Jurgen Sarrazin. Dresdner's chairman. that first quarter results bene-

fited from "a following wind." The strong performance was beavily influenced by booyant trading revenues across a range of markets, a more volatile if often more lucrative source of earnings than traditional lending. Commission income is also showing strength, and this, too, can be

It will take more than this, however, to dispel anxiety

BAYERISCHE VEREINSBANK

about the high levels of competition that prevail in overbanked continental Europe.

The big German banks have been making encouraging inroads into the market share of the savings and co-operative banks, thanks to new distribution channels such as telephone banking. They have also taken steps to improve their financial transparency.

France and Switzerland, however, continue to demonstrate the sort of irrational pricing returns on equity down in the single digits for years to come. Société Générale and Crédit Commercial de France remain most analysis' choices on quality grounds, but both have stood out for so long that they are already trading on more than 11 times 1996 earnings.

UK banks, meanwhile, pro duced record profits last year and are expected to continue to do so. But with capital accumulating and low inflation continuing to depress loan growth, returns on equity are

wever, to dispel anxiety European banks = top			decline from now on.
Company	Listing	Market cap (5bn)	Net Income (\$10)
SBG BS	United Kingdom Switzerland	38.32 25.28	3,717.62 1,320,15
LOYDS TSB EUTSCHE BANK	United Kingdom Germany	24.52 22.74	1,706,30
Loyds TSB Eutsche Bank G Arclays	Netherlands Linked Jondon	21.96 18.98	1,533.50 1,864.85
ATIONAL WESTMINSTER	United Kingdom	10.84	1,833.14
ATIONAL WESTMINSTER BN AMPO HOLDING S HOLDING SC	Switzerland	15.81	1,119.32
resoner bank	Germany	11.41	736.24
BEEY NATIONAL XIETE GENERALE ANDARD CHARTERED	United Kingdom	11.35 9.34	942.24 734.23
ANDARO CHARTERED NOO BILBAO VIZCAYA		8.49	682.52 553.00
OMMERZBANK NCO SANTANDER		R.44 7.30	597.19 586.01
REAS	France	7.24	-769.04

Construction • by Andrew Taylor

## Damp weather depresses output

"The weather is awful - wish we weren't here." A postcard from the European construction and building materials companies, reflecting on trading conditions in the the first six months of this year, would offer little cheer to investors.

The region's construction markets, already in the doldrums with public and private sector investment squeezed, have been further dented by harsh winter weather which halted much building work. Poor conditions were not limited to northern Europe. Even Spain and Portugal suffered unusually wet weather

at the start of this year. Building material producers and

SAINT GOBAIN

BILFINGER&BERGER BAU

SOUYGUES

HOLZMANN

LAFARGE

WOLSELEY

HOLDERBANK

construction companies as a result have warned of some fairly steep first half profits falls. Declines will have been accentuated by comparison with a relatively strong first six months of 1995. Climatic problems, however,

should only affect the short term. Output, stymied in the winter, should increase as weather improves and contractors recover lost time. Already French cement sales, which fell nearly 10 per cent in the first three months of this year have started recovering. Of more concern is the

medium term European economic and business climate. This looks like continuing dull

European construction/materials groups - top 10 by turnover

Switzerlark

Turnover (\$bn)

14.10

3, 18.52

9.12

over the next few years. And put and building material prices are likely to lag rises in GDP and general inflation.

The drive by governments to meet the convergence criteria for European monetary union will continue to inhibit public spending. Consumer confidence seems likely to remain weak as private sector businoeses restructure.

accounting for 30 per cent of all western European building and civil engineering output. this year and 3.1 per cent in 1997. Falls of 1-3 per cent are forecast this year for France,

Net income (8m) Mkt cap (\$bn)

10.52

6.11 3.94

3.91

-557 89

-234.31

246.99

809.82

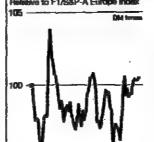
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80	1995	1996

Construction and

the past 12 months

Stocks with the best recovery prospects are building material companies with large operations outside Europe. Holderbank, based in Switzerland but with large US interests, remains the only buy out of some 30 European building material companies followed by Mr Andrew Melrose, an olyst at Paribas.





Pricing is beginning to firm.

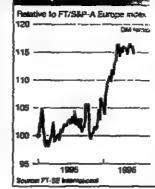
meanwhile suffering from the high franc and consumer resistance to price increases, particularly in China. Nobody is forecasting imminent consolidation of distillers but the massive cost savings would give it a powerful logic.

true prosperity depends on brewers and distillers taking leaves out of each others' books: distillers by consolidating and brewers by increasing prices. This would have an electric effect on share prices. But such nirvana lies at least a couple of years away.

### Aerospace and defence in engines, Rolls-Royce has cost cutting are the British tentative links to BMW, but is

Turbulent is the only word to describe the state of the European aerospace and defence industries. With defence spending in western Europe having fallen by almost a third in real terms since 1990, and with France, previously the sole exception, now cutting back, defence comp have had to retrench. The simultaneous recession experienced by airlines has burt the commercial side of the business too, particularly the regional aircraft makers, as the collapse of the Dutch aircraft manufacturer Fokker graphically demonstrated.

The pressure for restructuring is thus intense, yet politi-cal barriers continue to prevent effective consolidation of the industry. British Aerospace and Daimler-Benz have talked - inconclusively so far - about merging their serospace interests, and discussions about pooling the Thomson-CSF defence electronics company with GEC's defence arm were aborted by the French government.



Airbos is likely to be converted into a conventional company, but it is far from clear how quickly that will lead to a unified management.

Company

SAGEM

BRITISH AEROSPACE

cial performance. The degree medium term polliative. Radito which each company has cal restructuring of a kind boosted its profitability and that has so far eluded the share price has depended on European industry will be how exposed it is to the chill needed to give the companies. winds of the market. and their sharoholders, a long

still fundamentally divided

from the French engine maker

Success. Progress has only

been made in smaller more

tentative steps, with the

merger of BAe and Matra's

missile businesses and the for-

mation of the AI(R) regional

glacial progress towards a

rationalised industry, individ-

ual companies have been

forced back on to their own

efforts to improve their finan-

While Europe continues its

aircraft joint venture.

Furthest down the track of

European aerospace groups - top 3 by turnover Turnover (\$5n) ) Mkr cap (Sbn) United Kingdom 8.87 209.38 5.04 United Kingdom 5.43 214.42

Transport . by Michael Skapinker

## Industry flies into a cloud bank

The US airine industry has been producing profit performances far exceeding analysts' expectations. Europe presents a far cloudier picture. Not all carriers are benefiting from the For example, Scandinavian Airlines System saw first quarter operating profits fall from SKr529m (\$78m) to SKr176m. And Swissair's core airline business lost SFr200m (\$158m)

In contrast, Europe's most powerful carriers, Lutthansa of Germany and British Airways, did better. Lufthansa lifted earnings 3 per cent in 1995 to DM756m (\$493m). BA became the world's biggest airline profit earner, with 1995 pre-tax results of 2586m, up 29.4 per

The companies' profits have been reflected in share performance. BA and Lufthansa's share prices have risen 21 per cent and 34 per cent in the first five months of this year. KLM was a relative laggard with a share price rise of 9 per cent. But Swissair's restructuring plan was rewarded with a 46 per cent share price rise.

The underlying message for investors, however, came from the two top performers. Both BA and Lufthansa said they would have to cut costs sharply over the next few years. BA said it would have to find £1bn over three years in cuts and revenue enhancements. Lufthansa said it would



have to cut costs by more than DM1bn over five years.

The two carriers know that the best time to prepare for the next aviation downturn is

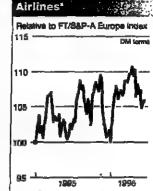
when things are going rela-

tively well. Even if the current upturn in the airline cycle continues for a few more years, the long-term outlook for all airlines is for a fall in yields. Cheap holiday tickets are ness fares, Long-haul travel is growing faster than higheryielding short-baul flights. BA is a consistently wellmanaged company, which should prosper further if its proposed partnership arrangement with American Airlines is approved. Lufthansa's link with United Airlines of the US

Germany's current economic weakness. Europe's airlines, private and state-owned, recorded a cumulative profit of \$1bn last year. The current boom will have to be an extraordinarily long one, however, if they are to wipe out losses of \$7.5bn

accumulated in the previous

should help it offset some of



five years.

While airline shares are likely to benefit from the current overall improvement in profitability, BA and Lufthansa's cost-cutting is a warning that in the aviation industry a bumpy landing is never

European transp	ort groups - to	p 10 by tu	nover	
Cortopanty	Listing	Turnover (\$bh)	Net income	(Sm) Mkt cap (Sbn)
EUFTHANSA	Germany	13.02	960.67	6.03
BRITISH AIRWAYS	United Kingdom	11.71	714.20	7.76
P&O	United Kingdom	9.92	359.36	4.77
SWISSAIR	Switzerland	5.60	-117.4-1	2.24
KLM	Netherlands	5.35	273.45	3 05
SAS	Denmark	5.21	382.28	1.56
NFC	United Kingdom	3.32	20,69	1.70
HAPAG LLOYD	Germany	2.83	42,31	1.72
BAA	United Kingdom	1.75	420.64	8.32
EUROTUNNEL	United Kingdom	0.45	-1,396.55	1.19

**E Chemicals** • by Jenny Luesby

### ■ Drink • by Roderick Oram Alcoholic beverages Dutch refresher course

protitability are kicking in for the European drinks sector. Brewers are consolidating volumes, and prices, stagnant for the past three or four years, are reviving.

Some companies are already notching up impressive sets of performance statistics. Heineken of the Netherlands lifted 1995 net profits by 10 per cent while constant currency operating profits were up 25 per cent. Its strategy is a model to all brewers: its production costs are remarkably low while European drinks groups - top 10 by turnover

ALLIED DOMECO

GUINNESS

HEINEKEN

**WHITTBREAD** PERNOD RICARD

CARLSBERG

RASS

LVMH

GRAND METROPOLITAN

SCOTTISH & NEWCASTLE

Two powerful determinants of its advertising spend is unusually high, bringing benefits of brand image and high selling prices. It has carried the secong leg of its strategy forward in France and Italy in recent months, buying local brewers to enhance its market

In contrast Germany's 1,000 brewers are suffering acutely from high costs, falling sales and parochial brands. Big names such as Lowenbrau have recently reported sharp profit falls while a couple of notable regional brewers have

f3.48

572

Listing

Denmark -

United Kinadom

United Kingdom, 12,12

United Kingdom 7.07

United Kingdom 6.86

United Kingdom 3.73

United Kingdom 3.05

Netherlands 5.27

been declared bankrupt. The UK is crying out for consolidation too. The next big deal expected is Bass's purchase of Carlsberg-Tetley, jointly owned by the Danish brewer and Ailied Domecq. But big competition issues stand in the way of creating the UK's largest brewer, so the deal is

14.13

13.95

10.52

20.95

4 18.54

1.89

not guaranteed. For the first few years of a merger, cost savings and smaller discounts would boost profits. Higher prices and margins would be less likely given the competition from remaining brewers.

Turnover (Str.) Net income (Stm) Mikt cap (Stm)

309.70

212.17

137.25

191.57

	Release to PT/SSP-A Europe Index
	105 DM 1000
	100 MMM
ı	95
- 1	1995 1996
	Source: Datastrassa Politica Indo-

however, for distillers. Prench drinks producers are

For the sector as a whole.

## Commodities are incommodious

Investing in European chemicals will require a clear head and some determined strategy this year.

The sector promises little until a regional recovery takes ers will be delighted if they can even match last year's

Companies with a greater emphasis on pharmaceuticals and niche speciality chemicals. such as Bayer, Akzo Nobel and Hoechst, will fare better than commodity-loaded companies. such as DSM, BASF, Solvay

gests that the surge in chemical demand and prices early

Company

HOECHST

PHONE POULENC

MONTEDISON

AKZO NOBEL

BASE

BAYER

SOLVAY

last year was no more than a The stocks built up then, by

chemical traders and manufacturers, have taken months to run down. And, without speculative buying, demand is proving too weak to generate a substantial price recovery.

Producers have managed to negotiate small price rises, following a 50 per cent slide in the second half of last year, but they acknowledge it will be hard to hang on to these

First quarter results support this gloomy picture, with Hoechst reporting a 22 per cent decline in basic chemical sales, and a 20 per cent decline

Turnover (Sbn)

33.93

30.06

28.99

:15.51

12:50

European chemicals groups - top 10 by turnover

Germany

France

. . ¥<del>لح</del>ارا

in speciality chemicals. BASF. similarly, reported a 15.5 per cent slide in fibres and plastics sales, and an 8.3 per cent drop in chemicals.

However, there are other

reasons for investing in chemicals. The industry's relentless nip-and-tuck restructuring continues to deliver a series of minor upgrades. Typical is Bayer, which reported a 4 per cent increase in sales, and a 14 per cent rise in pre-tax profits in the first quarter, due almost entirely to acquisitions.

Investors are also positioning themselves for further delinking of chemical and pharmaceutical businesses. Hoechst is the prime candi-

Net income (Sm) Wikt cap (Sbn)

18.39

15.98

22.37

7.64

9.56

3,29

80.8

1,111.37

2,684,57

2,721.51

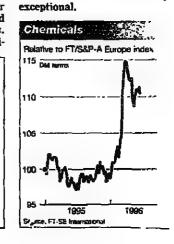
410,49

807,85

764.48

317.62

392.29



date, having spelt out its ultimate aim of separating the

two, but the timing is uncer-

tain, with the company still

working on a possible legal

Another teaser is how chem-

ical companies might use the

cash piles accumulated last

year. BASF has promised a

buyback as soon as German

law permits. Bayer says it is

But with such a poor earn-

ings outlook, investors need to

be sure their chemicals invest-

ments are based on something

interested too.

Food processing . by Simon Dayles

## Crash diet brings health

There are glimmers of recovery for Europe's long-besieged food manufacturers. In the low inflationary environment of the mid-1990s food manufacturers rather than retailers have suffered the margin cuts demanded by recession-scarred consumers. Their response has been heavy restructuring, but up to now cost benefits have gone straight back to the consumer. Hence, the dramatic underperformance of industry giants Danone, Nestlé and Uni-

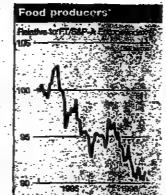
ings in 1995, though the evidence for the first quarter of 1996 has been unanimously

The macro-economic environment remains mixed. There has been a pick-up in retail spending in the UK, with inflation creeping back into the supermarket. But the recovery in consumer confidence in France has proved short-lived and Germany and Italy remain depressed. The threat from pri-

ing, and there has been some
reduction in packaging and
raw material costs. Nonethe-
less, exposure to emerging
markets has been key to grow-
ing sales.

The biggest winners will be companies that pere costs to the bone and use research and higher value-added products to expand both sales and margins. Raisio, a Finnish company, exemplifies this approach its Benecol marga-

European food proc	essing grou	ips - top 20	by turnove	M"
Company	Listing	Turnover (\$bn)	Net income (\$m	Mict cap (Sbn)
INILEVER	Netherlands/LIK	47.50	2,224.23	38.88
JESTLE	Switzerland	45.13,	2,231.31	43.75
DANONE	France	15.28	409.72	10.00
RIDANIA BEGHIN SAY	France	9.77	293.54	4.19
MIGETY	United Kingdom	7.41	77.48	1.85 AM
SSOC BRITISH FOODS	United Kingdom	7.39	377.50	5.10
ADBURY SCHWEPPES			466.59	7.43
ATE & LYLE	United Kingdom	6.81	200.43	112
	France	9.78	182.16	2.29
ILLISDOWN HOLDINGS	United Kingdom	5.21	-68.86	1,92
INITED BISCUITS	United Kingdom		-190.56	1.84
SUDZUCKER	Germany	4.07	95.52	1.88
IORTHERN FOODS	Germany United Kingdom	2.98	0.91	1.57
INIGATE	":United Kingdom	2.88	70.22	1.47
IOLS WESSANEN	Netherlands	2.89	118.08	1.01
ME	Italy	2.50	2,500.85	0.51
ANISCO	Denmark	2.39	168.70	2.73
SM '	Hetherlands	1.58	101.21	1,81
ROMAGERIES BEL	France		1,546.56	1.36



Drice in 1996.

Nestlé got off to a good start this year, helped by a fall in both the Swiss franc and coffee bean prices. Unilever has stronger exposure to fast-growing Asian economies, but has been hampered by a portfolio of more mature businesses particularly margarines, and the legacy of its Persil Power

However, three years of heavy restructuring are bear-ing fruit. Danone has been slowest to respond to the harsher environment. But while Mr Franck Riboud's promotion to chairman in success sion to his father Antoine smacks of nepotiam, and though his push for restructur ing, internationalisation and increased R&D is hardly original, it represents a welcome

## Eastern expansion is rewarded

The outlook for the European engineering industry is far brighter than commonly sup-posed. The gloom has been due to the weak economic conditions across much of the continent, and high labour costs, particularly in Germany. But most of the top European engineering companies are global-ising fast, expanding in particular into eastern Asia.

The future for many of these degree they can leverage their often high level of fechnical and marketing skills into the countries with the highest growth prospects. The omens are reasonably positive. Sandvik of Sweden and Switzerland's Suizer - both with rela tively unpromising home markets - have grown impressively in recent years to the far east, in the respective areas of specialised tooling products

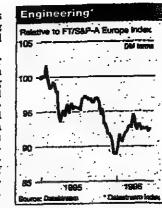
as a typically lumbering German giant, is also targeting marketing resources to the

highly regarded machines for processing plastics products. The leading UK engineering companies. many of which have a strongly international

perspective, also look in a better position for some years, for instance Siebe in electronic controls and TI in mechanical seals for processing equipment. Potential problems include the state of the European automotive industry, which buys a large chunk of the engineering sector's output and where production is likely to stabilise in

the unremitting cost pressures to which most engineering companies are being subjected due to tougher competition The expanding markets for projects linked to pollution control should give strong impetus to companies involved

in the manufacture of environmental equipment. This could augur well for companies such as Linde of Germany which is looking for big new international businesses to complement its four main areas of materials: handling, plant construction, industrial gases and



the next new years, and					-
European engine	ering groups	- top 10 by	turnover		
Company	Listing	Turnover (Sbn)	Net Income	(\$m) Mikt cap (\$i	M) .
	27.4	25.12 gr	481.06 342.19	12.87	
STR	United Kingdo	m 14.76	1,449.60	18.22	
MAN	Germany	11.94	164.36	2.85	OUR C
	er vestodi	71.33	298.02	14	議
LINDE	Germany	5.32	206.99	5.15	
KVAERNER	Norway	4.49	266.16	1,26	: 41.00
	C. V. 2274 64	M2 1370	292.97	5.06	IS 14

### Food retailing . by Christopher Brown-Humes

## France's foreign legion of outlets

The best European food retailers have been able to keep profits rising in recent years despite mature domestic markets, low inflation and depressed consumer spending. They have relied on technology-driven cost-cutting to create huge inventory and stock

Although this has been a gins. common strategy across the continent, the valuations of the big European food retail groups vary sharply. While the UK supermarkets trade at a discount to the market albeit at less than two years

Netherlands are valued at multiples well above their respec-

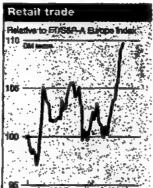
tive markets. Partly this is because the continentals are felt to have secured their home markets in a way their UK counterparts have not. The UK groups have also suffered because of the impact of price wars on mar-

tals are also getting credit for is the nucessa of their overseas expansion strategies. For example, Carrefour, France's leading grocery retailer, now has more outlets in countries

and Talwan. Promodes, the country's second largest grocery group, is active in Spain. Germany, Greece, Italy, Turkey, Morocco and Mauritius. The leading UK groups, by contrast, have generally been less adventurous, although sbury is active in the US and Tesco has made a push into eastern Europe. Argyll, owner of Safeway, and Asda are focused purely on the UK

Given that UK supermarket groups are world-beaters when it comes to logistic and supply-

Promodes, and Ahold of the	with an overseas drive into that they are missing a tricl	
European food reta	iling groups - top 10 by turnover	}
Company	Listing Turgover (Sbn) Net Income (Sm) Nikt cap (Sbn)	Ţ
CARREFOUR	Frence -27.82 680.37 5.15	l.
PROMODES	France 19.24 19274	t
KARSTADT	Germany : 17.51: 123.01 : 3.09	Ł
ASKO	Germany : 17.38 · 146.44 2.40 •	L
J SAINSBURY	United Kingdom 17.16 808.81	ı
AHOLO	Netherlands 3 16.66 238.27 38.22	l
TESCO	United Kingdom · 15.25 573.80 9.11	Ł
PINAULT PRINTEMPS	France : 14.97 290.46 6,81	ì
KAUFHOF	Germany / 13.81 80.29 11 2.57 2.57	ı
CASINO	France 12.38 121.76 - 66 2.41 2.41	l



by not acting more boldly, and setting a foothold in emerging ourkets now. That would ourtainly be Carrefour's view.

ing will deliver further cost benefits in the next few years. If consumer spending also picks up as Europe emerges from its downturn, there should be stronger-than-expecand share prices in the European food retailing sector in

## Leader to pursue a solo career

One of the most exciting areas of the European leisure sector over the next few months will be the music industry, where two groups - the UK's Thorn EMI and PolyGram of the Netherlands - seem set to come under the spotlight.

The main focus of attention will be Thorn EMI, polsed this summer to demerge Thorn, its bousehold rental business. from EMI Group, one of the world's largest record companies, which has the Beatles, George Michael, Radiohead and Roberto Alagna on its ros-

The countdown to demerger began on June 11 when Sir Colin Southgate, Thorn EMI's chairman, disclosed some details of the process while unveiling the group's annual results. On the same day Sir increase in pre-tax profits from £423m to £539m for the year. Formal proposals will be circulated to shareholders on July 22. with an extraordinary gen-eral meeting scheduled for August 16 and the two compo nies due to be auoted separately three days later. Investors will then see whether, as speculators suspect, a North American group such as Sea-gram, Walt Disney, Viacom or News Corp mounts a bid for

Meanwhile PolyGram, the world's largest record company, faces the challenge of returning to profits growth after last year's setback when





it reported static profits of Fl 741m (\$433m) for 1995 due to the guilder's strength. increased losses by its film division and delays in the release of a number of important new albums.

Analysts anticipate an improved profits performance from PolyGram this year. Busi-

after a sluggish start to 1996 with the release of new albums from Bryan Adams, The Cranberries and Sting. Mr Nigel Reed at Paribas predicts an 8.5 per cent increase in net profits to Fl 804m for the full year.

The outcome for 1996 will be

determined by the performance

in the critical fourth quarter, when a new album is due from U2, and by the progress of the film division, where investors are waiting to see whether critical acclaim that has gr films such as Forgo and Dead Man Walking is translated into

European leisure groups - top 10 by tumover					
Company	Listing	Turnover (8ba)	Net income (\$m) Mixt cap (\$hn)		
THORN EMI	United Kingdom	B.81	161.12		
ACCOR	Prance	5.97	177.55 3.95		
LADBROKE	United Kingdom	5.81	90.45 3.30		
POLYGRAM	Netherlando	5.12	431.11 10.69		
RANK	United Kingdom		792.76		
GRANADA	United Kingdom	3.60	361.43		
FORTE	United Kingdom	2.70	134.39 5.57		
COMPASS	United Kingdom	2.27	81.54 2.55		
EURO DISNEY	Frence	0.90	21.92 2.16		
	202 2 272 7 27 7 2		Salar S. marantalas S. Makari		

## Subscriber surge brings results

A strong semi-conductor market, the growth of network-ing and the surge of subscribers to digital cellular mobile telecommunications networks helped most European informa-tion technology companies perform strongly last year.

Siemens, the German electronics group, in particular, benefited from strong semi-conductor sales and the gains made by its computer subsidiary, Siemens Nixdorf, in the personal computer market. As with Philips and Thomson CSF, Europe's other two

semi-conductor manufacturers. Siemens' strong position in the applications specific integrated circuit market should provide a cushion against the recent collapse of dynamic random memory chip prices, which has seen D-Ram prices drop by a total of more than 50

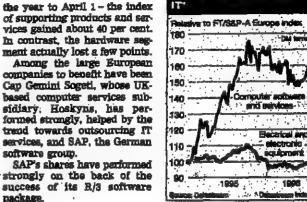
Europe's telecommunications equipment suppliers, par-ticularly Ericsson and Nokia. have benefited from the development and expansion of digi-Global System for Mobiles

where. Overall, however, the hardware segment of the European IT sector has markedly underperformed other parts of the sector over the past year, perticularly the software and computer services segments. reflecting the shift towards the higher margin value added parts of the IT industry.

Figures prepared by Broad-view Associates, the ITR mergers and acquisitions specialists, show their European index of software shares

the year to April 1 - the index of supporting products and ser-In contrast, the hardware segment actually lost a few points. Among the large European companies to benefit have been Cap Gemini Sogeti, whose UKbased computer services subsidiary, Hoskyns, has performed strongly, helped by the

SOftware group. SAP's shares have performed strongly on the back of the success of its R/3 software



Mary Co.

Figure 1 ...

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Make your con-\$ m STEED STOP

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**P**alman

European electro	onice groups ·	- top 10 by	turnover		
Company	Listing	Turnover (\$6	n) Net Income	(Sm) Mict cap (Siz	m)
STATISTICS CONTRACTOR	Charmers	A 52 124	206.81	29.95	
THE RESERVE OF THE PARTY OF THE	<b>一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个</b>	37 ED 1	1.48A.97	12.10	4
AB8	Swed/Switz	33.65	1,311.44	22,34	
ALCATEL ALSTHOM	France	31.18	-4,924.33	14,12	
TEST TO SERVICE STATE OF THE S	STATE OF THE PARTY	AL PROPERTY OF	851.64	J4.63	
THE RESERVE OF THE PERSON NAMED IN	<b>一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个</b>	<b>建建筑的</b>	789.58	18.41	6.5
NOKIA	Finland	· 7.71 ···	413.09	3.76	•
THOMSON	France	6.83	194.28	3.08	. Inch
SEE SECTION OF THE SECURITY OF	A CALL DE NAME OF THE PARTY OF		SX -775.18	(1) (3B)	7
<b>《大学》:"一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个</b>			357.87	0.00	1.

## Wave of profits is set to break

riding the crest of a wave. Last year profitability rose as the benefit of higher premium rates introduced since the early 1990s. A favourable cisions nation was unsmalt by

But the widespread expectation is that 1995 will have set a high water mark. Strong petition, forcing premium rates downwards. A particular feature of the past year has continent of a new generation asehold insurers, akin to Royal Bank of Scotland's

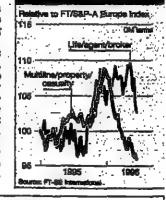
Direct Line in the UK. Low-cost telephone insurers have been helped by deregulation, triggered by European Union directives which since sweeping away restrictions on policy tariffs and terms. The effect has been felt particularly in the conservative Ger-man market where price com-

Switzerland, which has deregulated in line with the SU, and Italy are also soon expected to see the impact of more competitive marketplaces feeding through. As if a harbinger of tougher times last month it had increased reserves by "several hundred million" Swiss france, partly as a defence against possible leaner times. Mr Tom Bennett, insurance analyst at Paribas Capital Markets, says: "Mostly the markets are in the process

of peaking out." An exception is France

to the property market and a recent spate of large acquisilittle choice other than to maintain tight underwriting Cheripline In the UK, where profits have already begun to turn downwards, thanks in part to

a severe winter, the early months of 1996 brought the amouncement of plans for the merger of two of the biggest insurance companies - Royal Insurance and Sun Alliance. The attempt to build a larger company better able to weather trading conditions ahead is a sign of the times.



European Insurance	e groups - t	op 10 by ca	pitalisation	1
Compuny	Listing	Premiums (Sbn)	Net income (Se	m) Mict cap (Sbn)
METANO METANOS	German	4556		38.60
<b>建立的工程和</b> 特别。中华	** Netherlands	1252	1,583.50	21.91
GENERALI	Italy	21.88	410.11	79.15
MUNICH RES	German	18.86	211.40	15.14
EGON AND AND AND AND AND AND AND AND AND AN	Natherlande	11.28	765.68	13.23
THE PROPERTY OF	Switzerjand :	1807	A	- 12.86
PRUDENTIAL*	United Kingdom		1.144.58	12.56
AXA	France	19.27	434.17	10.98
COMMEDICAL UNION	United Kingdom	5.55	B70.44	8.33
	France			
net income - est. "Net premi	written ""cross	premium. Source: F	Parihae	ric example the same

European media groups - top 10 by turnover

United Kingdom 4.08

United Kingdom 239

United Kingdom 2.35

France 2 18

## Battle for digital prize

advertising revenue in some European countries, the media sector has been one of the best performing, as one excitement followed another on the way to the digital media future.

In the past five years the value of the media sector has more than doubled, and with the exception of the early 1990s the European media sector has outperformed the market by more than 40 per cent. That trend seems likely to continue although individual companies have faced pressure for various

REUTERS

CAPILTON COMMS

Reed Blsevier, despite healthy profits growth, has to try to beat off widespread per-

ceptions that its highly profitable academic journal by is under threat from the Internet VNU looks like suffering from increasing competition in the Dutch advertising market in both newspaper and com-mercial television. In the UK there have been uncertainties for Pearson, owner of the Financial Times, because of serious problems at Mindscape its US electronic games acqui-

sition. Carlton Communications, despite healthy profit rises is still seen to be struggling to find its next big step forward.

Companies which are mainly in the traditional markets of newspapers, magazines and publishing are increasingly worried about whether they can afford to get into the electronic media – or afford not to. Even traditional television companies are concerned about what they should do about the coming threat from digital television which will be able to

5.37

18.76 5.99

3.14

4.09

170.43

838.54

102.25

103,74

100.22

Turnover (Sbn) Net Income (Sm) Mict cap (Sbn) 19.19 ₹**5.15** 🛬 🗎 🙃

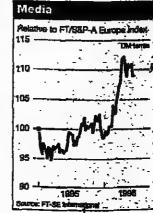


offer 500-1,000 television chan-nels over Europe in the next 18

Most have to watch ner-

vously as media giants such as Rupert Murdoch's British Sky

Broadcasting, Canal Plus and



### EUROPEAN RESULTS ANALYSIS

■ Utilities • by John Kingman

## The thrill of the dull

In theory utility shares are safe, boring investments more like bonds than equities, with returns and risks both low. The reality is rather different. As utilities' results show, thanks largely to costcutting, they can usually deliver handsome earnings increases even if sales growth is dull. Look at Belgium's Tractebel or Spain's Endesa; Germany's RWE or Veba; or anywhere in the UK utility sector - across the board, profits growth looks distinctly

But utilities can make sparky investments for another reason; even if the businesses are boring, regulatory intervention and takeover activity can comfortably make up for it. Extreme examples have been the British generators, National Power and PowerGen: thanks to a prolonged tussie over ground rules for takeovers in the sector, few British investments can have been as volatile in recent months.

bealthy.

Such regulatory uncertainty is bound to spread. For a start, even if the European Commission's efforts seem continually bogged down, pressures to

GEN DES EALDS

LYONNAISE DES EAUX

ENDESA EMPRESA

TRACTEBEL

VERENIGTE ELEKT

SCOTTISH POWER

UNITED UTILITIES

UNION ELECTRICA FENOSA

SEVILLANA DE ELECTRICIDAD

SOUTHERN ELECTRIC

YORKSHIRE ELECTRIC

BERLINER KRAFT

GAS NATURAL

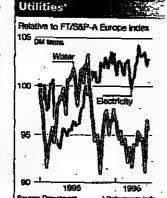
ag Starte with

BRITISH GAS

ELECTRABEL

**POWERGEN** 

European utilities - top 20 by turnover



sharpen competition in European energy markets are strong, Germany, where energy prices are conspicuously high, is working on legislation to open up its gas and electricity markets to competi-

But it is not just competition investors have to worry about. Even more damaging can be the temptation to drift away from a boring core business into cash-draining gambles elsewhere. Last year, for instance, despite a respectable result in its water business.

10.19 cm

6.83

France 81.24

United Kingdom 12.99

United Kingdom 6.97

United Kingdom 4.36

United Kingdom 2.20

■ Motor Industry • by Haig Simonian

\*pro-forms results including Manweb \*\*pro-forms results North West Water and Norweb merger

Belgium

disastrous property and construction results took the French water giant, Générale des Eaux, heavily into the red. Though Lyonnaise des Eaux, Générale's main competitor, has been less badly hit, its diversification record has been pretty undistinguished too. These issues will be at the

front of investors' minds - if

only because of the number of utilities offerings in the pipeline. The imminent sale of British Energy, the nuclear power operator, is a case in point, Investors have to weigh its formidable cash-generating potential against two big unknowns: the risk, with low investment needs in the core business that management could splurge the cash unwisely outside it - and the difficulty of predicting the impact of competition on electricity prices Similarly, the Spanish and Italian governments are likely to press on soon with selling slices of Endesa and Enel. These sales could be quite lively: Endesa is up against a strong lobby calling for a break-up and Enel faces powerful criticism of its market dom-

1239

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8,99

2.38

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÷ 3<u>.5</u> **9.5**1%:

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706.23 347.45

766.59

1,170.00

B11.44

671.99

508.57

234.81

137.33

279.61

### Pulp and paper • by Alison Maitland

First quarter results from the Dutch group, saw net prof- the autumn at the earliest. leading European pulp and paper groups confirmed the gloomy state of the industry as

demand and continuing high stocks. Combined pre-tax profits from SCA, Stora, AssiDoman and MoDo fell 32 per cent following the sharp turnround in the industry's fortunes which

it struggles with the aftermath

of a price collapse, weak

began last autumn, KNP BT.

ARJO WIGGINS APPLETON

SMURFIT, JEFFERSON

ENSO GUTZETT

ASSIDOMAN

KNP BT

REXAM

MODO

European forestry gr

its drop by 59 per cent as customers cut stocks and sales tumbled. Pulp prices, which had

halved since September, have now come off the bottom. But an increase in softwood pulp prices from \$520 to \$560 a tonne mooted by producers for the start of June does not appear to be going through.

Norscan grade pulp stocks fell by 370,000 tonnes in April to 2.15m tonnes and were down again last month, but industry players feel they need to hit 1.5m tonnes before pulp prices recover. Stocks are still well above the 30 days' supply

increases in the past. European paper prices have

level which has triggered price

	us seems to be will happen in	not yet started to pick to either but there should be	
roups - top	10 by turn	over	٦
desting	Turnover(Sbn)	Net income (\$m) Mikt cap (\$bn)	i
Finland	11.48	394.74 5.25	١.
Swiden	9.60	509.23 2.51	- 1
Netherlands	8.75	273.45 2.54	- 1
Sweden	8.39	788.98 3.37	-
United Kingdom	5.38	28.24 2.26	- 1
Ireland	4.72	465.69 2.94	- {
Fininger	4.41	382.24 1.05	- 1
United Kingdom	3.61	199.32	- 1
Sweden	3.28	539.66 1.73	- 1
Sweden	3.21	502.84 2.53	l

Pharmaceuticals . by Daniel Green and Daniel Bogier

### High stocks keep demand and prices low recovery by the autumn, pro

vided capacity utilisation and delivery times increase. Pre-tax profits will be poor after last year's record performance, with some analysts predicting a 55 per cent fall across the sector.

Next year, however, could see a 10-20 per cent recovery once stock levels return to normal and price increases feed through.

Consolidation could help earnings over the next couple of years, bringing more specialisation in added value production in some sectors such as magazine paper - but that will also depend on operating rates recovering.

Scandinavian shares have outperformed their local markets over the past few months as early cyclical stocks have won favour on expectations of economic recovery. Some analysts expect this outperformto continue at least for

Germany and Synthelabo of

acia and Upjohn has also

alerted management and inves-

tors to the substantial share-

holder value such deals can

release. This can apply equally

to asset swaps and demergers.

The most obvious candidates

are undervalued drug busi-

nesses hidden inside integrated

chemical companies like Ger-

many's Hoechst or Bayer, and

implication is that stock selec-

tion has become more impor-

tant for both property compa-

nies and stock market

Companies with assets out-

side Europe have generally

fared a little better. Rodamco

saw the value of its European

properties decline by 1 per cent during 1995, while its US

properties appreciated by 1.4

per cent and its Pecific assets

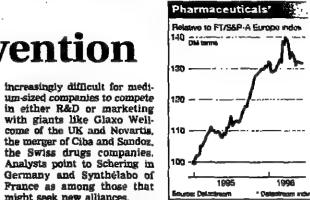
advanced by 6 per cent. But

the Dwich company is unusual

investors.



the rest of this year, with bouts of weakness. On a price-to-book-value ratio, which strips out earnings volatility, bulls point to scope for upward movement. The current ratio is less than I per cent, compared with a previous peak of 1.5 times.



tors, pharmaceuticais has been a dull sector so far in 1996. Partly that is due to its strong performance in 1995 when average share prices rose by a third or more: and partly due to investors' current preference for cyclical stocks. But any setback to Europe's economic growth will bring

ention	Relative to FT/SSP-A Europa indoi
ncreasingly difficult for medi- un-sized companies to compete	120
n either R&D or marketing with giants like Glaxo Well- come of the UK and Novartis, he merger of Ciba and Sandoz,	110
he Swiss drugs companies. Analysts point to Schering in	100
Jermany and Synthélabo of France as among those that night seek new alliances.	1995 1998 Source: Delastream " Detections indus
The success of Ciba/Sandoz and the combination of Pharm-	Despite all those positive fac

pharmaceuticals back to

Real estate Relative to FT/SSP-A Europe video

### cycle but there is no sign of a well. Big shopping centres are generally delivering better rental growth than office properties. While there is an oversupply of empty office buildmodern blocks in prime locations are now in short supply. The pattern is evident in Ger-Bource FT-SE Internal many, France and the UK. One

in the sector in having such ; wide spread of assets. Sooner or later property markets will enjoy a sustained upswing, during which European property companies will outperform by a large measure. But 1996 will not be the the year in which this upswing

occurs. The current environment of relatively low growth and high real interest rates is unlikely to foster another property boom.

## Relative to FT/S&P-A Europe index the most resilient shares are 1995 Source: FT-SE International

Some of the best opportunities for investors have come not from corporate performance at all, but from governments offloading oil shares at attractive prices. Italy and Spain have recently disposed of stakes in Eni and Repsol respectively. Eni's share price has boomed since the offer. Repsol's recent depressed performance, which owes nothing to the company's underlying strengths and everything to the government's politicallymotivated ousting of the company's chairman, is a powerful reminder that Europe's partially-privatised oil companies are unusual beasts. Until governments start leaving them alone, they will never command the same ratings as their fully-privatised

### Listing Turnover (\$bn) Netherlands/UK 105.09 United Kingdom 54.52 France 40.07

### In remission from intervention

Prospects for Europe's sales for the first two months pharmaceuticals industry have rarely looked healthier. It is almost 18 months since any government has moved to hold back healthcare spending growth by controlling drug prices. Volumes have bounced strongly. Prescription drug

of 1996 grew at 10-16 per cent a year, compared with just 6 per cent in the US, according to market research group IMS. The industry expects govern-

ments to return to the attack eventually. When they do, it will almost certainly trigger

so far have been left out of the Consolidation will feature in

further industry consolidation,

which would be good news for

investors. There are several

companies, especially in Ger-

many, France and Italy which

any case. It is becoming

widespread advance in com-

mercial property rents or val-

decline in net assets per share

ues. Land Securities, which

European drugs gr	oups - top	10 by turnov	96
Company	Listing	Revenues (Sbn)	Net Income (\$m) Mkt cep (\$bn)
CIBA GEIGY	- Switzerland -	_18.54	1,722.52 32.12
GLAXO WELLCOME	. : United Kingdo	m 15,84	2,201.58 46.56
<b>SANDOZ</b>	Switzerland	12.03	1,625.52 38.61
ROCHE	Switzerland	11.74	2,694.03 73.31
SMUHKLINE BEECHAM	- United Kingdo	m 10.59 -	1,464.70
ZENECA	United Kingdo	m 7.48	807.36
PHARMACIA & UPJOHN	US/Sweden	6.94	737.28 21.05
ASTRA	Sweden	5.23	1,280.91 5.15
SANOF	A Francis A	TE. 4.48 1	302.967
MERCK	Germany	4.08	231.08 1.64

M. Property • by Simon London

United Kingdom, 2.54

This year's rise in European car sales offers a crumb of comfort to the continent's beleaguered carmakers, which are still recitor from overcanacity and high costs. Rarnings poor – and downright awful in the case of Renault. Against a background of generally weak demand and rising competition from new, low cost, forcarmakers struggled to maintain market share by befty price cuts for big buyers and costly incentive schemes for private motorists.

Matters have turned unexpectedly better this year. Registrations in western Europe grew 7.2 per cent in the first four months, year-on-year, against an industry forecast of

Automot	iles	328
Relative to F	/SAP-A Euro	pie Index
105		DN terms
100 -		
» V		•
80	M	1
65	— <u>'</u> ₩	
	CON.	

reckon Europa's carmakers have considerable upside notential. But while many are recommending short-term overweighting, some, like Goldman Sachs, remain cautious about the longer term given the continuing imbalance between demand and supply for cars in European.

ros: FY-BE been

Of course, it has always been a mixed picture in the European motor industry. While luxury marques, such as RMW and Mercedes-Benz, have almost always done better than their bread and butter

ome leavening as the volume producers, notably Volkswagen, make progress in reducng their high domestic cost

Hence many brokers are anderperformers, such as VW. where recovery potential is ELTOWE.

By contrast, former darlings such as BMW and Mercedes Benz are locked into expensive expansion programmes to boost volume. Mercedes is in the throes of a high-profile expansion programme which will culminate in production of the Smart minicar under joint development with Swit-

zerland's SMH watches group. Mid-market producers, such as Saab and Volvo, could find themselves the most sourcezed. Both Swedish companies share the same handicap of high domestic costs and insufficient volume. Volvo's earnings will remain under severe pressure until its new models, starting with the mid-sized V40/S40, make a mark. And Saab will have to persuade investors it has a viable long-term future, even if its just-a top model, to fit rent 9000 range.

mnounced new above the cur- proves a goer.	
}	
ikt oap (50n) 7,46	*
1,99 89	994
96 0.00 54 36	
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OLKSWAGEN FIAT RENAULT REMOVE  BIMWI FOLYO FICHELIN RIFELLI CONTINENTAL	Germay Italy France France Germany Swedan France Italy Germany	57.39 48.41 31.59 30.00 25.21 12.72 6.99 6.70	1,376.75 411.64 327.58 450.40 1,361.57 597.83 194.94 100.88	5.54 5.36 2.24	

### Struggling out of neutral The broad appeal of the narrow furthest shead in its economic property market are faring

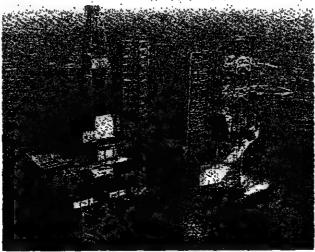
Property has a reputation which arose three or four among investors for being a, years ago. Most European boom-to-bust business. The massive property-related write-offs being taken by financial institutions, espethough, the tide of red ink is a dynamic

drifting sideways or down-In this dull environment has all of its assets in the UK, image is justified. In reality, to favour property over more delayed response to problems

property markets are now

				Some			
) 	- top	10 b	y meri	tet capi	talisa	tion	
	ibrig			cap (\$bn)			
Un	ited Kin	gdom .	4.82	5 P. S.	÷ 271.3	5	7
· No	Cherland		4.47	123.2	256.2	T., ,., .	, ° 1
Un	ited Kin	gdom	2.65		52.10		
Uni	ited Kinv	gdom	2,64		128.90		_
Un	ated: Kin	edom	~ 1.62···	15 Sec. 11	35.42	2	4.3
Ün	iter Kin	gdom	1.58		58,50	20 . T. 20.8	:5

European property group LAND SECURITIES RODAMICO. BRITISH LAND HAMMERSON CAPITAL SHOPPING CENTRES SLOUGH ESTATES United Kingdom SETIMEG INTERSHOR -149.08 43,10 Source: Salomon Bros ■ Off . by John Kingman



levels of production are expected to contribute to the oversupply

### Telecoms • by Alan Cane To find value, head for the Med

There is little that is homogeneous about European telecommunications so comparisons between operators can be difficult and unconvincing. The continent's two larg-.. est carriers, Deutsche Telekom and France Télécom, remain for the moment state-owned monopolies facing savage restructuring and intense com-

BRITISH TELECOM

TELEFONICA DE ESPANA

KPN KONINKLUKE PTT

CABLE & WIRELESS

PORTUGAL TELECOM

VODAFONE GROUP

TELECOM ITALIA MOBILE

TELE DANMARK

TELEWEST

TELECOM ITALIA

petition in the years ahead. The most liberal regime in Europe, the UK, is emerging painfully from regulatory cramps which have held back profits growth at British Telecommunications, Europe's most aggressive operator.

Smaller participants are hav-

ing to decide whether to seek

20.98

19.29

13.59

11.15

2.72

European telecommunications groups - top 10 by turnover

United Kingdom 7.75

United Kingdom 1.74.

Listing

itely

Spain

United Kingdom

Netherlands

Denmark

Portuga!

their lot with larger rivals. Against this background, most operators performed well last year although for many national operators, earnings growth was increasingly derived from cost cutting

nies bounced back moderately

after a gloomy 1995, reflecting

31.89

13.92

16.21

15.78

..0.14

4.04

14.03

Turnover (Sbn) Net Income (Sm) Mikt cap (Sbn)

2,613.81

\_1,118.97

1,040.03

587.50

229.67

224.44

358.47

380.67

improved sentiment. The best value is probably to be found in Italy, Spain and Portugal where competition is likely develop more slowly than in northern Europe. The mobile sector showed strong growth in most counrather than improved revetries; penetration is both low nues. Shares in quoted compa-

> growth is increasingly sustained by cellular services. Nevertheless, Vodafone on an estimated 1996 p/e of 18.6 and Telecom Italia Mobile on 29.3 are probably overvalued given the uncertainties of the mobile market.

and erratic, however, suggest-

national operators, revenue

There most important uncertainties concern the effects of continuing privatisation and liberalisation. It is unthinkable that the Deutsche Telekom sell-off could fail but its performance after the float could

othre to FT/S&P-A Europe Index ing great growth potential. For

> affect sentiment towards other privatisations. Revenue and profits growth from traditional business activities will slow as competition bites and markets mature. Price competition will chew away at the mobile as well as the fixed wire sector.

> The most successful companies will be those with a well thought-out strategy at home and abroad and convincing plans for taking advantage of the newer, higher value ser-

Telecommunications 1

### Glut makes the going stickier In these choppier conditions,

1995 was a bumper year for the oil industry. The oil price was buoyant and chemicals prices boomed, comfortably displacing grim "downstream" conditions in European refining and marketing. The consequence was a sparkling set of results - notably from compa-nies such as BP and Elf, whose managements continue to press on with cost-cutting. Even Shell, badly hit in the fourth quarter by a downturn in refining and chemicals, posted record profits. This year looks likely to be

trickier. Chemicals prices are well off last year's highs, and there are powerful downward pressures on the oil price. Fresh exports of Iraqi oil, in return for humanitarian aid. are one; strong production both from inside and outside the Organisation of Petroleum Exporting Countries is another. Moreover, although refining margins have improved, the European market remains horribly oversupplied. And marketing returns continue to be depressed by aggressive competition.

only have both been quick to State control caps the growth potential of some shares in the sector

likely to be those, such as

Total and Repsol, with strong

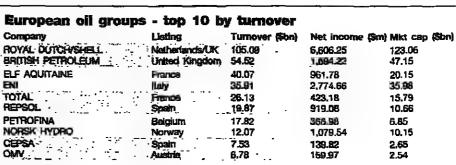
underlying growth prospects

emphasis on boosting returns

through "self-help". Of the lat-

ter. BP and Mobil provide the clearest example so far. not

grasp the nettle of poorly-performing European refineries. but in February the two companies announced an agreement to pool their European "downstream" operations. This will be a huge management task. But the potential boost to profits - notably from taking out duplicate distribution networks - should be subminorità L



2-3 per cent growth for the year as a whole. The rise in demand - if it lasts - may allow carmakers to kick the expensive habit of cut-price sales to the fleets in their desperate bid to maintain volume νř. and plant utilisastion. The upturn has led to a general rerating. Having underpreformed European stockmarkets by 25 per cent in the year to March, most analysts

counterparts, 1996 may see European carmakers - top 10 by turnover Turnover (Start) Net income (Sm) M 67.40 3,732.04 2 DAIMLER BENZ C

## Unit trust sector resists mergers

Pressures in the highly fragmented industry work against consolidation, argues Philip Coggan

The UK unit trust investor most efficient vehicles for certainly does not lack for choice. At the end of April, there were 1,646 funds on offer from 164 separate unit trust

groups.

The industry seems able to resist the pressures for consolidation. Figures from the Association of Unit Trusts and Investment Funds (AUTIF) show that back in 1987, at the height of the 1980s bull market there were just 1,137 funds available from 137 companies.

As Mr Tim Miller, the chairman of Portfolio Fund Management points out, the industry is highly fragmented, with the biggest group having a market share of just 8 per cent. Mergers between groups do occasionally occur, but many survive with only modest amounts agement and many small trusts continue to exist; in the international growth sector alone, there are 41 trusts

worth less than £10m. So why has the industry not rationalised itself? A key reason seems to be that most unit trust groups are not independent, but offshoots of other types of company. Mr Lewis McNaught, managing director of Gartmore Fund Managers, says the industry can be divided into four: insurance groups, bancassurance, stockbrokers and the independents.

"The insurance companies can run trusts on the back of their insurance operations and a unit trust operation does not add much to their overheads" says Mr McNaught. "Bancas-surance companies, such as Halifax, are moving into the industry, creating a force for

The attraction of trusts for the bancassurance groups is the increasing popularity of personal equity plans (PEPs), which allow investors to receive their dividends and capital gains tax-free. Mr Philip Warland, director general of AUTIF, says that "anybody wanting to be a serious player in the personal finance industry has to set up a PEP and unit trusts are one of the

doing so.
Some of the smallest unit trust groups fall into the stockbroking category. For them, this may be the simplest way of holding their clients' invest-

Stockbrokers may also find that a unit trust is the most convenient way for allowing their clients to invest in more esoteric areas such as emerg-ing markets. "A lot of fund ment groups have unit trusts to give clients exposure to investment areas where direct equity investment is not appropriate" says Mr Mike Webb, managing director of GT Global Investment Funds.

### \_ - FUND >--

### MANAGEMENT

According to Mr Richard Royds, managing director of Mercury Fund Managers, "For a lot of private client companies, unit trust groups capture fees that would otherwise go to other companies, such as the initial charge." Furthermore, imposing a fee for managing assets and then putting clients in another firm's unit trusts, carrying an annual charge,

would involve double charging. The fourth category scribed by Mr McNaught independents - has seen some consolidation; Edinburgh and Dunedin recently merged, for example. But the rapid growth of the industry, more than fibn of new net money was invested in April, may be allowing some groups to keep

But does the UK really need that many individual trusts? There are 126 funds in the European sector slone. The main problem which has stopped trusts from merging has been stamp duty; a merger is deemed to create a change in beneficial ownership, triggering a 0.5 per cent charge on the underlying assets in the fund.

ever. The industry is hoping that the next finance act will contain a two-year "window" in which trusts can merge

without incurring the duty. The window is designed to encourage the creation of open-ended investment companies or OEICs - a new type of fund structure which will give unit trust managers more flexibility and the ability to sell their products round the world. OEICs will have a single price and will be able to have separate classes of shares, with different charging structures for different kinds of investors. The stamp duty window and the shift to OEICs will put

some downward pressure on trust numbers but there will still be forces in the other direction. Industry experience has shown that it is much easier to raise money by launching a new trust than by attracting investors to an existing fund. And the increasing sophistication of investors means that there will be demand for more single country funds, as new investment ereas become fashionable.

Shrinking the number of fund management companies may also be a slow process. But there are a couple of straws in the wind that point towards rationalisation. Until a few years ago, according to Mr Webb, there was little competition in the unit trust industry on the basis of fees. But com penies such as Gartmore and Virgin have introduced funds with low, or nil, initial charges. "The advent of low-load indextracker funds is increasing

competition", he says. Secondly, there are signs that investors, or the people who advise them, are narrowing their choices to those companies which have demonstrated good performance. A few groups - such as Fidelity, M&G, Perpetual and Schroders - seem to be getting the bulk of the Pep money. Perhaps, in 10 years time,

the industry will be less frag-

### Brady flies in with \$175m under his belt

The only man with \$146hn of bonds named after him flew into London last week, writes Stephen Fidler. Nicholas Brady, the former US treasury secretary whose eponymous plan to resolve the 1980s third world debt crisis spawned a new bond market, is the chairman of three Templeton funds which held their annual meetings in London last week.

Most Brady bonds have been issued by Latin American governments, and since he stepped down as treasury secretary in January 1998, the region has occupied an important part of his

Brady, former chairman of the Wall Street firm of Dillon, Read, says he began to view Latin America as an increasingly dynamic part of the world when he was treasury secretary: meetings with Latin American officials were far more stimulating than the dreary sessions with officials from the Group of Seven industrialised nations. The future is very exciting in Latin

America," he says. His own venture, Darby Overseas disposal, \$30m of which is in Darby's management company that includes Brady's own money, and \$145m in the private Darby Emerging Markets fund. It has already made equity investments in at least six Latin American companies, including a Mexican and a Peruvian bank, and a

Chilean printing company.

Brady says most of these companies should benefit from Darby's own. expertise – his managing director is the former Argentine debt negotiator Daniel Mark - but are likely to be too small to reach the "radar screen" of larger investors.

There are prospects for a further

enlargement of the equity fund, and Darby is now in the initial throes of establishing a fixed interest fund to invest mainly in higher-grade Latin American securities – including Brady

### Rubython's Sunday Business battles on

Tom Rubython, the editor of Sunday Business, Britain's first national Sunday newspaper devoted entirely to business, must be in line for an award as optimist of the year, writes Raymond Snoddy.

Not only did he launch Sunday Business, in April, into one of the most competitive sectors of the newspaper market, but he did so without any



Nicholas Brady: found meetings with Latin American officials far more stimulating than with the Group of Seven

visible means of support.

Today Rubython, who started out as a market stall trader, carries the bettle for survival to court. He is seeking to put the company

into voluntary administration to protect it from creditors for the next 90 days. "I know people might think me stark staring mad," says Rubython. But he continues to believe passionately that there is a gap in the market for a pure business publication at the weekend

As one set of staff leaves, new freelances arrive and somehow the paper keeps coming out, courtesy of a shadowy group of northern businessmen operating under a company called Group 2000. Its survival now probably depends on whether the company is allowed into voluntary administration — and the extent to which Group 2000 will continue to fund its existence.

Rubython has never been frightened of swimming against the tide - he delimited a series of libel actions as founder and editor of Business Age magazine. Business Age was recently closed by VNU, the Dutch publisher be sold it to. But Rubython remains optimistic that the same fate will not overtake Sunday Business.
"We're battling on," he says.

### Greenwich duo keep a patch of paradise

NatWest Markets' acquisition last week of Greenwich Capital Holdings, for \$590m, has thrown an unwelcome spotlight on the latter's co-presidents. Gary Holloway and Konrad "Chip" Kruger, writes Maggie Urry.

The two shun publicity and prefer not to talk about themselves. Hardly supprising – why let anyone else in on

the secret? Greenwich the town is a leafy, seaside place in Connecticut, an hour's train journey from Manhattan, with attractive houses and good schools. It has become an enclave for investment bankers keen to escape the hustle of Wall Street and give up

Peter Hall, head of NatWest Markets in the US, whose offices are in the heart of New York's financial district, says that under its new ownership Greenwich Capital will stay where it is. Moving the operation to New York would risk destroying the value of the purchase, he says: "They have got a distinctive culture based in

Holloway, who joined Greenwich in 1985, and Kruger, recruited in 1983, will become co-heads of Global fixed income for NatWest Markets and also-join its executive committee in London and its North American management

The Greenwich culture finds strong echnes with NatWest – characterised by Hall as a meritocracy, with high ethical values and rewards for performance. On top of that, says Hall, Greenwich Capital "are used to dressing down." That sums it up

### Swift's iron new master

If you lay all the bankers in the world end to end, runs the old joke, they will still all point in different directions, George Graham writes.

That is the predicament of Swift, the worldwide financial messaging system co-operatively owned by 2,900 banks which carries more than \$2,000bn a day of payment messages.

The new man in charge of reconciling this large and diverse constituency is Jean-Marie Weydert, currently adviser to Société Générale chairman Marc Vlénot, who was elected as chairman of Swift's board of directors last week. In his new role, Weydert sees a number of challenges for Swift.

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The world's payment systems are in a state of flux, as the technology makes possible real time payments and competing private sector initiatives by to take some of the risks out of the system. At the same time, the settlement systems for bank payments and securities markets, once separate, are moving closer together. Weydert wants securities payment

sages to make up one third of swift's traffic in the not too distant future. In the meantime, he promise an iron hand over the organisation. There are so many examples of co-operatives which escape from their members; I am determined that Swift should not follow down that road."

### U.S. \$50,000,000



### Crédit Chimique

Floating Rate Notes due 1996

in accordance with the provisions of the Notes, notice is hereby given that for the interest Period from June 17, 1996 to December 17, 1996 the Notes will carry an interest Rate of 5.8125% per armum. The interest psychia on the relevant interest psyment date. December 17, 1996 will be U.S. \$295.47 per U.S. \$10,000 principal amount and U.S. \$7,386.72 per U.S. \$250,000 principal amount.

By: The Chase Menhattan Bank, N.A. London, Agent Bank

June 17, 1996



### U.S. \$400,000,000



Santander Financial Issuances Limited

Subordinated Undated Variable Rate Notes with payment of interest subject to the profits of and secured by a subordinated deposit with Banco Santander, S.A. corporated in Spain with Emilied Bability.

Notice is hereby given, that for the Interest Period from June 17, 1996 to September 16, 1996 the Notes will carry an Interest Pate of 6.525% per annum. The amount of interest payable on September 16, 1996 will be U.S. \$4,123.44 per U.S. \$250,000 of principal amount of Modes. on September 16, 1998 w principal amount of Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Benk

June 17, 1996



### U.S.:\$400,000,000 Floating Rate Subordinated Notes due 2009

For the three months 14th June, 1996 to 16th September, 1996 the Notes will carry an interest rate of 5.71875% per annum with a mount of U.S. \$149.32 per U.S. \$10,000 Note; payable on 16th September, 1996.

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The Chase Manhattan Corporation

Bankers Trust Company, Lond Agent Bank

### Trust Division is treates of the Nath Pleance Treat-ty year main six last of Maries)

US\$200,000,000 Generated Florting Rate Notes due 1997

NACTONAL FINANCIERA, S.N.C.

Notice in hereby given that the Rate of Interest has been Read at 8.125% and that the interest poyable on the relevant interest Payment date September 16, 1996 against Coupan No. 15 in respect of US\$10,000 asginally issued take amount of the nates will be US\$15.29.

8): Oliberk, N.A., (Corporain Agency & Trust), Agent Bank CTTIBANCO

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European Investment Bank Floating Rate Notes due 2001 For the period from June II, 1995 to September IS, 1995 the Notes will carry an interest rate of 8,54575% per around with an interest amount of LIT 197,984 per LIT 5,000,000 and LIT 1,079,836 per LIT 50,000,000.

TOYO CONSTRUCTION LTD. U.S. \$100,000,000 Guaranteed Floating Rate Notes Due 1996 (Couper No. 6) In accordance with the could of the Notes, notice is hereby that for the siz-month period 17th June 1996 to 16th December (MC days) the Notes will carry an interest rate of 6.0875% p.s. Relevant Notes of U.S. \$1,000,000

U.S. \$30,775.69 per coupus. (No. 6

THE SANWA BANK LIMITED

BANQUE PARIBAS

CHEVY CHASE MASTER CREDIT CARD TRUST II

U.S.\$138,000,000 Class A Floating Rate Asset Backed Certificates, Series 1995-B U.S.\$12,000,000

Class B Floating Rate Asset Backed Certificates, Series 1995-B interest Accrual Rate Coupon Amount (USD)

Libor Determinant Accord Period:

5.746090% US\$616,746.99 5.86609096 06/13/96 07/14/96 .

These Interest Accrual Rames and Coupon Amou the interest psyable on Monday, July 15, 1996. Bankers Trust Company

June 17, 1996

CONTRACTS & TENDERS





SALTO CAXIAS HYDROELECTRIC POWER STATION INTERNATIONAL BIDDING - C-304 SUPERVISION, CONTROL AND PROTECTION EQUIPMENT

DELIVERY DATE POSTPONEMENT COMPANHIA PARANAENSE DE ENERGIA - COPEL, informs that the desvery of the qualification documents and price bid for the International Bidding C-304 - Supervision, Control and Protection Equipment, was postponed to July 04, 1986, at 2:00 p.m., Rua Voluntarios da Pátria, 233 - ground floor.

The other provisions of the instructions to Bidders remain una COMPANIBA PARANAENSE DE ENERGIA

# 17 June 1 5.296 5.201

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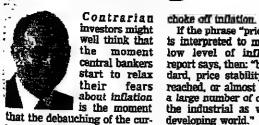
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### Global Investor / Peter Martin

## Staying on top of inflation



Well think that the moment central bankers start to relax fears about inflation is the moment

rency starts in earnest once

Last week's annual report from the Bank for Interna-tional Settlements (BIS), the central bankers' club, was markedly different in tone from those of recent years. Its underlying message is that the world has moved to a lower inflation path, governments are committed - partly thanks to the Maastricht process - to greater fiscal discipline, and that central banks have learnt

If the phrase "price stability" is interpreted to mean a very low level of inflation, the report says, then: "by this standard, price stability has been reached, or almost reached, in a large number of countries in the industrial as well as the developing world." Indeed, the report verges on

smugness when it contrasts the experience of the IIS and the UK in 1988-91 with that of 1994-95. At the beginning of both periods, the two economies became overheated, the report says. In 1988-89, however "restrictive measures were only applied after inflation had started to accelerate' and the slowdown that resulted was a nasty one.

"In contrast, the rise in interest rates in early 1994, when inflation was still quite low but

was expected to increase, removed inflationary pressures rather quickly without any major output and employment effects."

The report's message, in short, is that the inflationary threat is these days essentially a cyclical one, which can be warded off by prompt and appropriate monetary policy. Just as important, it implies, is the need to be equally vigilant in warding off deflation, as Keynes and Wicksell argued in

The BIS case is supported by some longer term trends in the real world. For example, there is still no sign of a resurgence of asset price inflation. One lesson of the Sumitomo copper affair is that exaggerated views on what prices individual commodity markets will bear will rapidly be punished by the new

the hedge funds. The one-way bet on inflation, which was an integral part of developed country expectations since at least the early 1960s, has vanished. And there has been a demographic shift towards older people, who are in general more vulnerable to inflation, among the electorates of the industrialised countries.

And yet ... take a look at the chart alongside, which appears in the latest issue of the International Bank Credit Analyst. The rise in global liquidity in the last two years is, on one measure, the fastest since the relaxation of monetary conditions in the late 1980s. On another, it represents a reversal of the sharp deceleration in G7 broad money growth that has occurred in the 1990s. There are two ways of

looking at these numbers. One way is that they represent a welcome commitment on the part of the world's central bankers to avoid the slide into deflation. Reflationary monetary policies underpin the global equity market boom. But because they come against a background of a stable price level they do not threaten a

resurgence of inflation. The alternative view is held by the more pessimistic bond investors. Unable to find evidence of rising inflation in economic statistics, they cite anecdotal evidence to support their fears. One New York-based bond fund manager said he really started to worry when he went to the railway station in Greenwich, Connecticut, a favourite commuting base for Wall Street bankers, and discovered that the nearest bank

**G7 liquidity creation** 

cash machine had a button to deliver \$1,000 in notes. The risk to investors proba-bly lies as much in the tension tween these two views as in the plausibility of either of them individually. The US long bond, driven by the worriers, is now yielding 7.2 per cent and the Bank Credit Analyst expects it to reach 7% to 8 per cent within the next six to 12 months. With US equities on a Total return in local correscy to 13/6/96 4.56 8.9

the strains will ultimately show. An equity market correction of, say, 20 per cent ment pessimists would say, given the degree of overvaluation relative to treasuries would wipe 1,000 points off the Dow Jones Industrial Average. If that happened gradually over a year or so, other mar-kets could handle the pressures: European bond markets

have not followed US yields un

in recent months. If a correction in US equities happened in a few days or a week, the tensions would be much greater and other markets would find themselves hurt too. In 1987, central bankers contained a similar problem at the price of continuing to provide monetary stimulus, when they should have been tightening the reins. But that was in the 1980s, of course. And now everything is different, isn't it?

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### COMPANY RESULTS DUE

### **Fashion** retailer's new shops to boost profits

Hennes & Mauritz, the Swedish fashion retailer, is expected to report pre-tax profits for the six months to May 30 of SKr510m-SKr615m (\$75m-\$91m) on Wednesday, compared with SKr521m a year earlier, according to analysts. Their average expectation is for pre-tax profit of SKr562m. Analysts say the expected profit relies upon increased sales after the opening of more stores, but direct comparisons with a year earlier are difficult because of a change in accounting. AFX,

maker, is today expected to report record profits of about 21bn (\$1.5bn) pre-tax, about 60 per cent more than last year, and comfortably ahead of the previous peak of £733m reached in 1990. However, much of the gain will be due to the exceptional upswing in prices last autumn, which has since turned down. So, the City's attention will be concentrated upon what the company has to say about the current weak state of the European

First Leisure, the bingo, bowling and discotheques group, is expected to announce half-year profits of £17m tomorrow, up only slightly from the 216.4m a year earlier. The company's recent remarks on trading conditions have been noticeably cautious, so analysts are not expecting much in the way of an upbeat report.

■ British Steel, the UK steel... ■ Carpetright, the fast-grow-

ing retail chain run by Lord Harris of Peckham, is expected to report profits of between £25.5m and £27m tomorrow when it presents figures for the year to April Analysts will be interested to hear whether the group, which flourished in a poor housing market, is doing even better in a recovering one. Its shares have more than doubled in the past year.

■ Airtours: The City will be keenly awaiting interim results from Europe's largest tour operator on Wednesday, not to see if it can reduce last year's ses, but for an early indica tion of how the all-important summer sales are stacking up. The question is not whether bookings will be down on last year, but by how much - analysts expect a decline of 15 per cent. As for the results, the market is looking for Airtours to have cut its losses from



Hyder: The multi-utility formed after Weish Water's £870m takeover of Swalec in January is expected to announce details of merger benefits and costs when it reveals its preliminary results on Wednesday. The market is forecasting total savings of 175m by the end of the cen-

tury. The focus will also be on job losses and the fate of the group's non-core interests, which include a 40 per cent stake in Cabletel. The acquisttion is expected to help lift profits before exceptionals to about 2165m, up 37 per cent from 2120.4m last year. Exceptional costs of about \$50m are

expected to result from the merger. A dividend of about 38.5p is forecast, up 18.5 per

dividend yield of 1.87 per cent,

Northern Electric, the regional electricity company, is expected on Thursday to report dends to 39.9p a share, up from 83.3p. Northern may surprise investors by a bigger than expected fall in gearing. As with other rece, its results will be distorted by the demerger of National Grid Company last

■ Wessex Water: The west of England company engaged in a bid battle for neighbouring utility South West Water rounds up the water results season on Thursday. With preearnings will be diluted by last year's bonus preference issue tion. A 15p dividend is expected, up almost 14 per cent. .



Brian Moffet, chairman of British Steel: results today

This announcement appears as a motion of record only

## Daimler shows its friendly side

It is not just the Marcades car nity to borrow cheaply. Daimler-Benz, which produces the world famous cars, is equally keen to show its friendlier side to international inves-

Daimler took an important step in that direction last week when it launched its first equity-linked bond offering. The DM750m (£819.1m) offering, which can be increased to DM1.2bn. is set to be snapped by international investors who are starved of convertible bonds and who are also increasingly positive about the returns on German equities.

Cynics would say the main reason for the offering was to allow Daimler to take advantage of the low funding costs available in the convertible bond market. This is no doubt true, but the fact that Daimler's bankers worked for more than a year to find a way for the company to tap the market also shows that the deal is more than a one-off opportu- trade tax.

the company could not remain a global player in the automotive industry if it did not use global financing instruments

base more international. The financial wizards at Goldman Sachs and Deutsche Morgan Grenfell had to solve two problems: first, how to tackle the tax issues which prevent German companies from selling convertible bonds internationally; and second, how to offer the bonds to new investors without violating the pre-emption rights of Daimler's existing shareholders, since DM750m of the offering repre-

The tax issue was solved by devising a structure whereby the bonds were issued through an offshore financing arm, thus shielding the coupon from German withholding tax and the shares into which the bonds will be converted from a

Indeed, the message from rant-bond offerings from Ger- expectations that it will not on Daimler's bonds cannot be detached from the bond itself. By keeping the two parts as one instrument, dubbed a and thus make its investor "note with equity warrant securities" Daimler's bonds "smell, look and act exactly like a convertible bond," says one banker involved in the

> Although German shareholders tend to be more willing to waive their pre-emption rights than their English counterparts, the issue has been addressed by offering the bonds first to existing share-holders at a price of 97.5 and afterwards to new investors at a price of between 97.5 and par. The lead managers will not be absolutely certain of the

take-up by shareholders until the end of the subscription period of July 3. However. recent statements by Daimler's biggest shareholder - Deutsche Bank with 24.4 per cent - that it intends to sell down its

In addition, unlike past war- industrial holdings has raised

If this proves to be the case. Daimler's offering will become an even more important milestone in German corporate his-tory. Since Deutsche Bank owns stakes in many German companies, international inves-tors can be confident Daimler's warrant-bond issue is the first many in coming months. The decision by Daimler to

adopt Anglo-Saxon financing practices is not confined to Germany, Last Week, Holderpany, became the first European company to buy back an old convertible bond and at the same time issue a new one, arranger Merrill Lynch said. This process, used widely by US companies, allowed Holderbank to make substantial savings since the new bonds are zero-coupon. In addition, pre-emption was not an issue because the underlying shares were taken from the old bonds.

BANCO(\*)BANDEIRANTES

has acquired all third party liabilities and matching assets and operations of

Banorte C

All offices, branches and agencies of the former Banco Banorte in Brazil and overseas were reopened to the public on May 27, 1996.

SBC Warburg acted as financial advisor in this transaction.

**SBC Warburg** 

A DIVISION OF SWISS BANK CORPORATION

### FT/S&P ACTUARIES WORLD INDICES

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Figures in parentheses	US	95chg	Pound Stering	Yen	DM	Local	chairem	Gross	US Dollar	Pound Sterling	Yes	DM	Local Currency !	ا شعدت الا	بلمجيد الا	ago ago
show number of lines of stock	Dollar Index	since 29/12/95		Index	index	index	29/12/95	Yleid	index.	index	Indiax	index	index	High	Low	(ASSOCAL)
					450.00	400.70		4.00	100.00	100 70	407.00	159.50	407.00	212.18	400.00	400.00
Australia (79)	200.81	5.7	193.89	130.01	158.99 152.68	168.78 152.61	-0.7 17.6	4,37 1,86	199.83 192.16	193,70 188,27	137.86	153.38		199.28	162.69 169.11	
Austria (25)	.192.84	10.5	186.01	148.34	168.59	164.53	8.4	4.05	211.06	204.58	145.62	168.47		215.81	186.08	
. Belgium (27)	212.94	1.B 21.2	205.39 161.27	114.91	132.37	308.12	24.9	2.15	164.28	159.24	113.34	131.12		171.08	123.97	
Brazil (26)	.167.19	6.9	153.00	109.01	125.58	157.04	7.1	2.42	159.89	154.98	110.31	127.62		186.12	134,14	
Coneda (99)	.158.62		287.20	204.63	235.74	237.82	9.3	1.89	296.19	297,10	204.35	236,42		305.17	275.65	
: Dermark (30)	201.10	3.1		122 05	153.14	190.18	11.6	2.63	194.39	188.42	134.11	155.16		276.11	171.73	
Fillend (23)	183A2	3.4 9.2	186.57 188.98	134.65	156.12	158.77	15.3	3.02	195.32	189.33	134,76	155.90		198.39	167.70	
France (97)	180.82	3.9	164.06	116.89	134,66	134.66	10.6	1.84	169.79	164.58	117.14	135.52	135.52	174.38	155.66	
Germany (60)	170.08	9.5	409.49	291.75	338.11	422.05	9.7	3.38	423.19	410.20	291.97	337.78	420.66	451.19	348.81	365.83
Hong Kong (59)	A29.33	13.0	278.48	188.42	228.58	257.26	14.5	3.33	287.28	278.47	198.20	229.31	257.25	288.71	229.61	231.68
' treland (16)	280.71			55.64	63.60	93.34	6.9	2.35	80.82	78.34	55.76	64,51	93.62	84.53	67.22	73.10
Italy (59)	80.61	9.7	77.95	107.91	124.32	107.91	6.8	0.71	155.04	150.29	106.97	123.75	106.97	164.68	137.75	
Japan (461)	157.02	1.4	151.46	37B.87	436.46	529.72	11.7	1.70	551.27	534.35	380.33	440.01	529.34	585.09	425.77	542.85
Maleysia (107)	551.27	13.6	531.73			10118.80	16.0	1.39	1214.40	1177.13	837.84			1325.65	791.99	941.54
Mexico (18)	218.15		174.98	837.19			15.4	3,13	295.40	286.34	203.80	235.79	211.77	299.69		
"Matherland (198	25.7	8.4	285.23	203.23	234.12	230.21	-4.7		76.64	74.28	52.87	81.17		85.49	245.79	248.92
New Zealand (15)	78.21	-1.8	75,44	53,75	61.93	61.65	_	4.48					60.44		75.94	81.21
. Norway (15)	255.62	10.5	246,58	175,68	202.38	226.44	14.2	2.01	255.30	247.46	176.14	203.78	227.46	255.99	<b>222.2</b> 4	224.56
Singapore (44)	418.50	2.3	401.75	286.25	329.76	270.44	1.9	1,40	415.68	402,90	286.77	331.77	270.08	465.21	355.81	396.93
South Africa (45)	359.48	-6.7	346,72	247,04	284.60	342.12	11.4	2.10	364.26	353.10	251,32	290.76	343.70	437,76	339.24	339.24
Spain (37)	181.78	10.0	175.32	124.92	143.91	177,25	16.7	3.14	180.73	175.18	124.69	144.25	177.45	161,76	145.15	148.01
Seeden (48)	354.79	13.7	342.22	243.83	280.90	<b>351.</b> 13	14,7	2.42	354.44	343.56	244,53	292.01	352.52	360.77	269,86	261,30
Seritzerland (38)	235 65	-0.1	227,30	161.95	186.57	182.75	8.6	1.62	234.11	226.93	161.52	188.86	183.26	252.34	191.24	198.85
SWIZERENO (20)	169.97	0.4	162.89	116.06	132.70	186.02	0.9	1.99	168.08	182.92	115.96	134.16	165.46	193.95	148.74	171.48
Thetand (46)	100,01	1.4	225.54	160,70	10E.12	225.54	2.5	4.13	233.10	225.94	160.62	186.05	225.94	237.43	210.29	217.72
United Kingdom (200)	233.00 124 45	8.0	261.84	186.56	214.92	271.48	8.0	2.18	272.36	264.00	187.91	217.39	272.36	276,47	219.17	219.17
USA (627)	271.46	0,0	201.04	100.00										_	210.17	410.17
Americas (772)	247.72	8.2	238.95	170.25	196,13	208.27	8.2	2.18	248.53	240.90	171,46	198.37	208.95	252,43	200.69	200.69
ATTRICES (FF2)	210 03	4.5	202.59	144.55	166.29	184.48	8.6	3.05	209.39	202.97	144.46	167.13	185.13	211,35	187.21	188.97
Europe (714)	202.75	10.1	292.99	208.76	240,49	264.56	13.2	2.32	303.47	294.16	209,37	242.23	265.72	306.61	250.62	252.82
Nordic (136)	100 54	2.5		116.38	134.07	118.63	6.5	7.16	187.50	182.38	115.56	133.59	117.89	177.01	148.86	154.31
Pacific Basin (831)	100.04 100.40			127,96	147.41	143.60	7,5	2.05	184.85	179.18	127.53	147.54	143.24	190.57	166.51	168.65
Euro-Pacific (1545)	190.17			181.78	209,41	263.81	8.0	2.18	265.41	257.27	183.11	211.85	264.74	289.52	214.38	214.36
Mortin America (726)	794.4¥			131.88	151.92	159.80	12.1	2.48	191.31	185,44	131.99	152,70	160.51	192.87	168.40	169.37
Entrope Pt LIK (514) parameters?	ED.18			195.89	225.66	246.06	5.5	3.10	284.04	275.32	195.96	226.71	245.07	296.68	243.59	
Shelfe Fix Janan (350)	(62.03	• •-	274,83		148.25	147.92	7.7	2.06	186.04	180.33	128.35	148.49	147.60	191.55		254.00
March Ev US (1736)	191.20		180,61	126.59					210.70						167.38	169.37
	237.77		203.68	145.13	167.19	179.12	8.4	1.91		204.24	145.37	168.18	179.12	213.05	181.28	181.28
World Ex. Japan (1961)2	44.43	6.7	235.77	167.99	193.52	231.72	8.2	2.53	244.63	237.13	168.76	195.26	232.39	247.55	207,39	207.52
				*****	168.82	183,48	7.9	211	212,74	206.21	148.77	100.00	100 50	21170		
The World Index (2382)2	H4 55	5.4	205.67	148,54	(00.0¢	104,40	7.27	40	21214	24021	( <del>49</del> ,//	189.80	183,52	214.70	184.45	184.45

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### MARKETS: This Week

Benchmark yield curve (%)\*

FT-SE-A All-Share Index

11 12 13 14.

economy and the potential for

inflationary pressures. Equities would be lifted by

another turn on the takeover

BBA's decision not to bid for

Lucas and with the failure, as

yet, of any of the rumours of

insurance sector to translate

starting to look rather tired.

into reality, the speculation is

Tinless international politics

or economics provides a spark,

the equity market could drift

into torpor over the long

mergers in the banks and

merry-go-round, but with

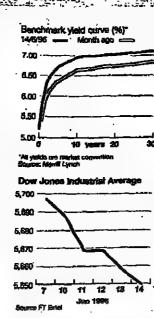
### ATTEN YORK BY Richard Tomkins Stocks fell and bonds dithered

in the US last week as confusion about the pace of economic growth continued. It is likely to be a similar story this week, with investors searching for clues about the likely direction of interest rates in the run-up to the meeting of the Federal Reserve Open Market Committee on July 2 and 3

Although last week's consumer and producer price indices suggested that inflation remains in check, the economy's stronger than expected growth in recent months continues to raise fears that inflationary pressures will build up in the second half. As a result, most analysis seem to believe that the Fed will firm monetary policy by pushing up interest rates 25 basis points.

Still, nothing is certain, and investors will be combing this week's economic data for evidence of inflationary trends. The calendar looks relatively thin, however, so the markets could be left searching for direction.

Among the few figures to be published, those for May housing starts, due tomorrow, will be among the most influential. The consensus forecast is for a figure of 1.48m new starts, down from 1.52m the previous month If the figure is a lot more robust, it could send jitters through the



On Wednesday, the Fed will release the latest Tan Book summarising regional conditions to early June. On Thursday, figures for the April rade deficit are expected to show a narrowing to \$8.7bn; the same day, the Philadelphia Business Outlook Survey could cause concern if, as Salomon Brothers expects, it shows a strong pick-up in demand. On Friday, figures for the

Treasury budget are expected to show that stronger Federal spending helped produce a deficit of \$50bn for May.

LONDON By Philip Coggan

The ramifications of international events seem likely to reverberate through the London markets this week. with yesterday's Russian presidential election and the Sumitomo copper losses two of the most important influences. Domestically, last week's . economic statistics, while not overwhelmingly proving that the chancellor was right to cut

interest rates, at least did not undermine his position. This week will provide some tricky tests in the form of May's public sector borrowing requirement (the government's room to cut taxes is looking increasingly restricted) and retail sales data.

The latter may show further signs of a rebound in consumer spending, one of the reasons some think the chancellor was wrong to cut rates. Politics continues to be a

constraining factor on the markets, with the latest ructions in the Conservative party over hospital closures and Europe doing little to calm investors' nerves. It seems that politics is preventing the FT-SE 100 index from breaking out of its recent

3,650-3,850 trading range and the yield on the 10-year gilt from falling below 8 per cent. Gilts are also struggling in the face of the recent weakness in the Treasury market, which has been caused by concern about the strength of the US

Financial markets looked east and west last week, concerned about the Russian elections and the likelihood of further interest rate rises in the US. Tradera also continued to digest the implications of the government's new short-term aspance strategy and the

PERSONAL PROPERTY OF THE PERSONAL PROPERTY OF

compromise settlement that looks likely to end the public years 20 . 25 sector pay dispute. Weighed down by uncertainty over whether Boris Yeltsin would be re-elected, the weaker dollar and lower Bund futures prices, the stock market dipped on Friday. It is still at the high levels reached after an initial climb this year.

which has been followed by modest ups and downs, but it is unlikely to resume its advance until signs of a strengthening economy become more pronounced. Recent moderate wage settlements will help the recovery, with last week's arbitration deal in the public serior also on the low side. But

employers failed to obtain

reduced sickness pay entitlements and longer hours,

showing that the drive to make

hefty budget savings is still fraught with problems. However, yesterday's march by 350,000 people in Bonn against social security cuts passed peacefully enough to ease government quaims about the strength of opposition to

OTHER MARKETS Compiled by Michael Morgan

7.00 -**6.00** -

On the debt market, news of the impending issue of short-term paper was welcomed as a contribution to enhanced competitiveness against other markets notably France - shead of European monetary union, and contributed to a flattening of the yield curve on Friday. A net DM20bn of six-month treasury bills will be issued annually, enough to create a proper market but not so big as to upset Bundesbank

monetary policy. Two-year

paper is also on the way.

### The benchmark Nikkei index may test the 10 year moving

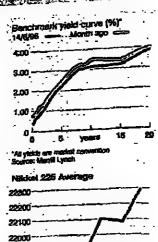
average of 23,000 this week, supported by hopes of a continuing trend of low interest rates.

Meanwhile, although investors are bracing themselves for a plunge in shares in Sumitomo, which lost \$1.8bn through unauthorised copper deals, analysts do not expect the troubles at the leading trading house to affect other shares in the sector. "Investors are likely to perceive it as an isolated case," says Mr Yuichi Matsushita, a strategist at Nikko Securities.

And while there are some fears that Sumitomo may want to realise some of its Y400bn in latent profits on its holdings, especially those of Sumitomo group companies, the shares are likely to be sold to affiliates rather than liquidated directly through the market. On the bond market, the effects of last week's purchase

of government bonds by the ministry of finance seem to be wearing off. The ministry last week purchased Y100bn in bonds outright, reducing supply on the market, through the Bank of Japan rather than buying the bonds with a repurchase agreement

But the yield on the No 182 10-year benchmark, which fell sharply on the announcement has once again crept up.



closing at 3.235 per cent, only 2 basis points lower than the previous week's close. Expectations of continued low short-term rates, however, are attracting foreign investors to buy euroyen bonds. The yields on some issues have fallen below bonds with the

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same maturity.
"Yen bonds seem to have become a sort of safe haven, especially because they haven't been moving in tandem with other global bonds," says Mr Marshall Gittler, bond analyst at Merrill Lynch in Tokyo.

COMMODITIES By Richard Mooney

### Aluminium producers gather

Most metals analysts are agreed that the outlook for the aluminium market is fairly bullish. But the troubles of the London Metal Exchange copper cast a shadow over other LME contracts, aluminium in narticular. On Friday, however, following the breaking of the Sumitomo scandal, aluminium, like the other base metals, was able to stand aside and watch the copper price plunge and partially recover, raising hopes that the link between be copper and bullish aluminium might have been broken.

That possibility is likely to be on the minds of many delegates at the Financial Times/ CRU International World Aluminium Conference, which begins in London today.

Speakers at the two-day event, subtitled Strategies for a Global Market, will include the chief executives of leading aluminium companies, such as Dubai Aluminium, Pechiney of France, Kaiser Aluminum of the US and Columbia Aluminum, as well as the chairman of Germany's VAW, the managing director of Transworld Metals, the president of Hindaico industries and the director of the CRU Consul-

tancy Group. Subjects under discussion today will range from developing the right company structure and achieving shareholder value, to new technology for new markets and the res uring of the sluminium industry in the former Soviet

Tomorrow, speakers will cover joint venture development in China, India's response to changing customer needs at home and abroad and the difficulty of realising the aluminium sector's potential in Latin America, among others. Other events this week include the official opening on Wednesday of Norway's Troll gas field by His Majesty King Harald V.

That will be preceded by a two-day press seminar organ-ised by Statoil, the operator of Troll over its expected 50-year life-span.

Tomorrow, London is the venue for the International Grains Council's annual conference, entitled Responding to Demand in Expanding Markets, Especially in Asia.

summer bolidays.

ZURICH The market will continue to follow the unravelling story at Interdiscount this week, although the troubled photographic and electrical retailer s not due to report back to shareholders on its talks with creditors until next Monday, a week before a SFr45m convertible bond is due for repayment. Meanwhile, in a recent study. Morgan Stanley noted that Switzerland proved the best performing market in dollar terms among the MSCI developed markets last year, up 42.4 per cent, outperforming even the S&P 500 by 6.2 per cent. However, Morgan took the view that the market's

upward re-rating had gone too

far and recommended inves-

tors to underweight the market

within their European portfo-

Morgan offered three main reasons. First, the Swiss equity market was looking expensive compared with its own historical levels and other international markets, Second, the sector make-up of the Swiss market heavily favoured defensive and interest sensitive stocks, which were expected to underperform the more cyclical sectors this year. And finally, the domestic flow of funds did not look nearly as attractive for equities as it did

### last year. MILAN

its plans,

Details of the new government's mini budget, due by the end of the week, are esgerly awaited, as are preliminary consumer prices data for June, expected in the latter part of the week. Mr Antonio Fazio, governor of the Bank of Italy, has appeared adamant in

waiting until underlying inflation breaks below 4 per cent before he will initiate interest. rate cuts. And that, says Mr Andrea Azzimondi at CS First Boston, suggests that the market will have to wait until July before the long-awaited reduction. Mr Azzimondi points out that the market has already rallied by 16 per cent in dollar terms so far this year and says it has another 8-10 per cent to go by the end of the year, which would put the Comit

### HONG KONG

A cautious approach is expected in a week shortened by two public holidays, today and on Thursday, writes Louise Lucus. The threat of Sino-US trade sanctions, the recent rise in US bond vields, and the possibility of a rise in interest rates could all suppress activity.

Stocks in the limelight include Hongkong Telecom, which had a turbulent week after its main Chinese shareholder reduced its stake to 8 per cent and the government said it was starting talks on the company's international business, in which it has a monopoly.

### Bonds

Eastern European debt trading will be in the thrall of the Russian presidential elections this week, writes Conner Middel-

Russian debt prices weakened last week, partly on profit-taking and pre-election position-squaring, and partly as a result of revelations that some government bonds in circula-

tion had been stolen. The direction of Russian bonds this week will depend very much on the outcome of the presidential vote: if Mr Boris Yeltsin emerges victorious in the first round, bonds have substantial upside. whereas a victory by Mr Gennady Zyuganov, his Communist opponent, is likely to push prices down sharply.

analysts say. Outside eastern Europe, Brady bonds will continue to take their cues from the US Treasuries market

Mr Peter West, economic adviser at West Merchant Bank, says the main focus of the Brady market will be on US housing starts figures, to be published on Tuesday, "which will have a major bearing on whether the Fed raises interest rates at the FOMC meeting of July 2/3", and on the expected approval by Venezuela's Congress of a rise in sales tax to 16.5 per cent from 12.5 per cent - an essential element in the country's IMF programme.

Nokia sints TV

### CROSS BORDER M&A DEALS BIDDER/INVESTOR TARGET SECTOR VALUE COMMENT Continues US NatWest (UK) Greenwich Capital Brokina \$590m Stat Otalyi Entel (Chile) \$273m 17% states Kone (Finland O&K Rolltreppen (Germany) Lifts & escalators \$131m Buy from Krupp \$77m RBS (UKI/Bank of Ireland Machanics Bank (US) Production venture Kimberty-Clark (US) Hogis (Israel) Consumer products \$50m Whiteeroft (UK) Dox International (N'lands) Textiles Cash buy Unit of NatWest (UK) n/s Spanish rela HSBE (HK) Benking Unit of Beroleys (UK) Canadian dispose n/e

### Daewoo Telecom Ltd.

lders' Additional Option to Redeem Bonds on 18th June, 1998

Right to Revoke Notices of Redemption

To the Holders of the Company's

U.S. \$50,000,000 3% per cent. Convertible Bonds due 2006

able at the option of the Bondholders in 1996)

NOTICE IS HEREBY GIVEN that following the execution by Daewoo Telecous Led. (the "Company") and Bankers Trus Company Limited (the "Interes") of a Supplemental Trust Deed dated 20th April, 1996 which amended the Terms and Condition the Bonds (as more fully described in the nonce to Bondholders which appeared in this newspaper on 3rd May, 1996), Dee Securities Co., Led. has now calculated the percentage of principal amount at which Bonds to be redeemed on 18th June, 1998 wi edcemed (the "1998 Pat Price").

he 1998 Par Price has been calculated by Daewoo Securities Co., Ltd. in accordance with the for tust Deed defined above and has been set at 139,028 per cent. of the principal amount of the Bond contemplating taking any action in respect of the matters contained in this notice the tion and, if an any doubt, should also seek lodependent financial advice.

17th June, 1996

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Semi-Tech Group (Canada) Unit of Nokia (Finland)

Paying Agents 14 Boulevard F.D. Roosevelt L-2450 Lovembre

Swiss Bank Corpore 1 Aeschenvoista CH-4002 Basic

Daewoo Telecom Ltd.

### SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE REUTERS PAGES: ATGG-H-I TELERATE PAGES: 17890-1-2 TEL: (301) 3311456 - 3245674 FAX: (301) 3252241 - TELEX 210733 ATRA GR ATHENS STOCK EXCHANGE June 07th - June 14th 1996 GREECE GDP (USD bn) 99a 120.57 10.6 / 12.5 Per Capita Income (USD) 11,550 915.15 P/E (after tax) 98e/95e ASE INDEX 14.3 Inflation Rate (% Y.O.Y, May 96) 9.10 1.27 SP\$ GROWTH (%) 96s 9LChg (2/1/96) 12 Month T-bill (%, end of May Issue) 1026.02 P/E 960/EPS GAOWTH 13.30 Yearly High 1-Moreth Athibor (%) 14.09 898.15 PICE 95e/85e B,3/9.4 Yearly Low 23/28 GRO/US\$ 105.27 P/BY 98e/95e 241.59 WEEKLY VOLUME (USO m) 9LChg (Proy. Wik) 14,01 Div. Yield (%) 98e/95e A.S.E. Market Cactalisation - 146/96 (USD bn) 23.85 POILS Flights leaves in USD m) 1 Jan 96-14 June 96 478:38 1 Y Wik Avg. (USD m)

### CURRENCIES By Graham Bowley Traders' attention will focus on Russia and Emu

ations of higher German interest rates as suromark futures sold off. Traders this week will be looking for further chaes as to the likely timing and direction of future German and US interest rate changes.

German M3 money supply figures are due to be released, with growth expected to fall below 10 per cent. A significant

rate.
The US "beige book" is published on Wednesday. It is seen as the best summary of current US economic conditions going into the next FOMC meeting, and therefore will be seen as a likely indication of interest

rate policy. Currency traders will also

Boris Yeltsin against his Communist rival is likely to lead to a strengthening of the Swiss franc and dollar as they benefit from their "safe haven status". The D-Mark could be the big-

in the UK, retail sales data for May is published on Wednesday, and M4 money

The dollar fell sharply on the foreign exchanges on Friday, due partly to resurgent expec-A poor showing by President last week amid some speculation that the latest interest

rate cut may have been politi-cally motivated. Some analysts claimed that monetary policy may now be too loose, which means overseas investors may

avoid UK assets. Lest week's data, which showed a weak manufacturing sector and subdued price pres-

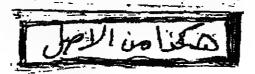
cation for the rate cut. Traders this week expect the recovery in retail sales growth to have continued, in line with government forecasts.

Finally, European monetary union will take centre-stage at the weekand when European heads of state meet in Florence to discuss current progress towards the single currency.

FT GUIDE TO WORLD CURRENCIES The table below gives the latest give ble rates of stohenge trounded) against four key currencies on Friday, Julie 14, 1906 , in some cases the rate is nominal. Market rates are the exempte of buying and selling rates where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

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epit .	(Sucre) (Extention S	4802.08g 5.2280	3124.45	2057.54	2873.72	Michaelón Michaelón	(Local Fr)	7,8399	5.1660 4.6250	3.3922	4,7514 4,2538	Ultraine (k	arbovandis)	280041,4	182200.0	113540.2	961,943 167578.8
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INTERNATIONAL BONDS By Conner Middelmann and Samer Iskander

## Cades goes global with Ecu15bn **CP** programme

agency established to manage the accumulated debts of the country's social security system, today will launch the largest ever dealer-placed commercial paper (CP) programme, worth Ecul5bn.

Since Cades needs to raise the money - part of its FFr140bn financing programme - before June 28, it decided to save time by launching a global transaction rather than separate US and European CP

A substantial amount of the paper is expected to be placed with US investors, but the transaction is also expected to boost the growing European commercial paper market, which is reckoned to have around \$95bn in outstanding paper, compared with some \$700bn in the US.

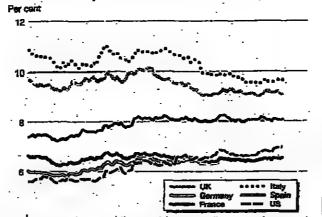
The Eurocommercial paper (ECP) market has been restricted by regulatory constraints in countries seeking to protect their domestic CP markets (such as France, Belgium or Sweden) and fears by authorities (such as Germany's Bundesbank) that an active commercial paper market

Cades, the French government might interfere with the man agement of monetary policy. Moreover, "there aren't a lot of money market funds in Europe the way they exist in the US", says Mr Martin Goldberg, head of MTN and CP product management at Lehman Brothers, the global arrangers of Cades' CP pro-

gramme. Indeed, apart from France, Luxembourg and, more recently, Germany, there are few true money market funds ultra-short duration bond However, money market funds are expected to grow in Europe due to greater investor

sophistication, more competitive fee structures and the introduction of US-style money funds by US fund managers according to Mr Nicholas Bradley, a director in Standard & Poor's managed funds group. "Investors are now recognising that investing in money funds provides them with diversification, economies of scale, proper segregation of

assets and higher yields," he said recently. Since Cades' global programme can be drawn down in 10-year benchmark bond yields



	USA	Japan	Germany	France	.italy	UK
Discount	5.00	0.50.	2.50	4.90	9,00	5.752
Overnight	5.19	0.41	3.25	3.75	8.24	11.63
Three month	5.21	0.37.	3.32	3.B0	8.75	. 5.82
One year	5.71	0.87	3.63	4.26	8.28	6.06
	6.72	2.26	5.49	5.73	9.05	7.58
Ten yeer	6.95	3.20	5.68	. 6,59	9.71	8.12
(i) France Place (ski	Light Cit College	rain, Motor	sor Routers.			

various currencies, dealers show strong interest and in expect to see substantial Asia, central banks are likely expect to see substantial demand for D-Mark paper from German money market funds which have been starved of short-dated supply. European financial institu-

tions are also expected to be enthusiastic buyers, attracted by the issuer's zero risk-weighting. In the US, money market funds are expected to to be keen hidders.

Apart from Lehman, the US alers are Goldman Sachs and Merrill Lynch while European dealers will be Barclays de Zoete Wedd, Deutsche Morgan Grenfell, Goldman Sachs and SBC Warburg.

## ISMA moves Emu to top of agenda

surrounding the move to a single European currency, the International Securities Market Association has begun preparing itself for the implications

"Today, no one can be sure exactly bow and when the Euro [the future European single currency] will come into being, but I believe that there is a growing presumption that something in Europe will change on January 1 1999," said Mr William Watt, chairman of ISMA's Market Practices Committee. He was speaking on Friday at the association's 28th annual general meeting in Cannes.

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cial institutions are likely to be preparing for Emu, Mr Watt fears that "the majority of [ISMA] members have not even begun to consider the potential impact on their institutions".

ISMA's board and the MPC are considering three projects. covering short-term practical issues and longer-term concep-tual concerns, in readiness for "E Day" (the first day of 1999). The first of these involves

supporting the International Society of Securities Administrators in a study of the settlement and operational ramifications of the introduction of the

The second study, by the European Economics and Although the largest finan- Financial Centre with ISMA's debt of Barings following its

cost and timescale associated with the introduction of the

Euro.
The third will be undertaken by the European Capital Markets Institute, of which ISMA is a founder member. It will look into the effects of Emu on European capital markets.

Among ISMA's other preoc-

cupations, improving the information transmission process between members – as well as to the marketplace - appears to be a priority. Mr Watt has underlined the importance of information contained in the documentation of securities offered on the primary market. The default on subordinated

quent lawsuit by a group of bondholders, highlighted some shortcomings of existing docu-

The MPC is expected to recommend several changes to the presentation of securities' prospectuses.

Further trading and settlement issues are also under examination, after last year's shortening of the settlement period from seven days to three working days (T+3). Mr John Dowsett, a member of ISMA's board and architect of the T+8 reform, said a move to T+2 would be relatively

**EMERGING MARKETS** By Jonathan Wheatley

## Brazil shrugs off prophecy of doom

Mr Rudiger Dornbusch's recent Cassandra-like warnings of looming economic crisis in Brazil focused attention on its need for structural reform but had little impact on its financial markets. While analysts say that some

investors are now paying closer attention to Brazil's fundamentals, they add that hardened Brazil hands - and the government - have noted Mr Dornbusch's remarks and returned to business as usual. Mr Dornbusch, professor of economics at the Massachusetts Institute of Technology and former adviser on Latin American debt to President Clinton, launched an attack on the Brazilian government's economic policies this month at a conference in Sydney and

Street Journal. He has long been critical of Brazil's reliance on tight monetary policies to underpin its success in cutting inflation since the introduction of a new currency in July 1994.

in an interview in the Wall

But his recent pronouncements went further: the cur-rency was overvalued by some 30 to 40 per cent; the balance of payments deficit was out of control; and foreign capital, attracted by high interest rates, was ready to pull out at any moment and precipitate a Mexico-style calamity.

Mr Dornbusch's remarks caused a flurry of irritation among Brazilian ministers. Mr Pedro Malan, president of the central bank, dismissed them with a rhetorical flourish: "The part that is correct is not new, correct," he said.

Investors were less impressed. "He upset the politicians," said Mr Helmut Bossert, a director in the capital markets division of Brazilian bank Unibanco, "but stock markets really didn't pay him much attention.

True, stocks in São Paulo fell L6 per cent on June 3, the day Mr Dornbusch spoke in Sydney. But such a movement is hardly out of the ordinary and could as easily be explained by profit-taking or rising US interest rates; bigger swings last week had little to do with fundementals and were probably driven by investors jockeying for position in the run-up to

today's options expirations.

sanguine in the face of such dire predictions? First, because they were easy to dismiss as exaggerated. While many analysts agree that the Brazilian Real is overvalued, most put the margin at about 15 per cent. And Brazil's current account delicit, at about 3 per cent of gross domestic product. is much smaller than Mexico's deficit of 8 per cent of GDP

before the crisis. However, more important than these differences, says Mr Bossert at Unibanco, is the much greater degree of openness in Brazil. "With all credit to them, the Mexicans were great salesmen," he says. They managed to sell a situa tion, a promise of stable growth that didn't exist." Mr Bossert argues that infor-

mation on the state of public accounts is much more readily available in Brazil than it was in Mexico. Furthermore, an important aspect of the government's micro-management of the economy through monetary policy is its extreme prag-

The central bank can be expected to make gradual ljustments to exchange rates, as it does almost daily, long before there is a pressing need for any significant devaluation. Nor is there any sign that

short-term capital is preparing to leave. Mr Jair Ribeiro, a director of Brazilian investment bank Patrimonio, says there has been no recent indicas micesso, in \$ ranns

change in investors' positions before or since Mr Dornbusch's pronouncements.

May 31

"Dornbusch had the opposite effect to what you might have expected, he says. People thought about his arguments, looked again at the numbers, and came back even more confident in Brazil's short-term prospects. They are doubly convinced that there is little prospect of a devaluation in the next 12 months."

Mr Mauro Schneider, an economist at ING Barings in São Paulo, says the quality of foreign investment has also improved. "There is much more direct investment, which means good prospects for exports in the future," he says. "It's much too simplistic to look only at the headline fig-

Nevertheless, there is widespread agreement with Mr

Dornbusch's underlying point that Brazil cannot continue to rely on monetary policies to hold inflation in check while its underlying cause - failure to control public spending - is not addressed.

President Fernando Henrique Cardoso took office in January last year on a wave of popular support for the inflation-beating reform plan he helped devise while finance minister, but critics say he failed to use that support to push through politically difficult reforms to cut spending on pensions and on Brazil's

bloated public sector. Progress has been made on privatisation and opening the economy to private investment, but reforms that would cut spending have been bogged down in an undisciplined and recalcitrant congress.

So far, the government has kept the economy on course but its failure to make deeper reforms will put an increasing strain on public accounts. Sooner or later, if spending cuts are not made, its current

policies will run out of time.

Municipal elections in October will divert attention from the reform programme and in December, January and February the country relaxes into a mas and carnival. That means that between now and the presidential elections in October 1998, the government has a working year to force its reforms through congress.

index	14/6/96	Week on sepel Actual	k movement Percent	Month on month Actual	movement Percent	Year to date Actual	nercen Percen
World (395)	160.38	-0.82	-0.51	-3.76	-2.29	+12.82	+8.04
Latin America							
Argentine (22)	99.95	-2.14	-2.09	-2.24	-2.19	+7.17	+7.73
Brazil (23)	217.98	-4.11	-1.85	-3.7	-1.57	+21.08	+17.74
Chile (16)	191.13	+12.28	+6.87	-1.27	-0.05	4.53	2.30
Colombia (14)	166.35	-1.54	-0.92	-9.86	-5.36	+1.1	+0.6
Missocra (23)	63.24	-2.29	-2.67	-3.17	-3.67	19.65	+13.11
Peru(14)	1,039,48	<b>+8.08</b>	+D.59	-2.54	-0.24	-29.47	-2.70
Letin America (112)	135,55	-1.16	-0.85	-2.96	-2.13	+12.4	+10.0
55000							
Granica (18)	108.19	0.36	-0.34	-0.25	0.26	+8.22	+6.3
Portugal (20)	131.3	43.3	+2.58	·0.05	+7.44	+14.84	+12.7
Turkey (26)	119.52	+2.99	+2.57	+5.25	P4.39	+30.72	-14.3
South Africa (32)	145.65	-0.54	-0.37	-3.25	-2.18	-7.73	-5.0
Europe (96)		+0.33	+0.27	-0.45	-0.37	+1.81	+1.41
Lefa							
China (24)	44,57	+0.42	+0.95	41.55	+3.67	+4.25	+10.5
ndonesia (32)	145.33	-5.02	-3.34	-7.89	-5.03	+5.69	+4.8
Corea (23)	118.7	-8.23	-4.99	-20.39	-14.66	-18.2	-13.
Matayala (24)	256.22	-2.36	-0.91	-6.15	-2.34	+28.86	+12.8
Pakistan (14)	91.63	-4.71	-4.89	-4,62	-4.B	+16.04	+24.5
falippines (14)	323.9	-13.51	-4.00	+2.6	+0.81	+64.73	+24.9
Thalland (25)	242.81	-6.85	-2.74	-17.75	-8.81	-9.07	-3.
Talwan (31)	175.18	+10.86	+6,61	+4.95	+2.91	+44,35	+33.
Asia (187)		-1.23	-0.54	-7.57	-3.25	+22.39	+11.0

### Cietale BC/BNL/JP Morgan Credito Italiana AUSTRALIAN DOLLARS 75 Jul 2002 (m) 101,74 8.15 -CANADIAN DOLLARS | Coloit Local de Francelo| 100 Dec 2001 7.25 98.559 7.34 +14(7-1/4-01) Turonie Derninios Benix | Vencomere Taly Sigs Cal Unice 100 Jul 2001 7.125 98.478 7.225 +5(7-1/4-01) Turonie Derninios Seas | Seaseal Michael Actual Compil 100 Jul 2001 7.50 98.889 7.537 +31(7-1/4-01) CBC Weed Gundy 500 Jul 2001 (d) 101.37 6.10 - Kradistanik inti Group 900 Jul 2008 (f) 99.70 Comparatorial 500 Oct 2003 6.125 99.527 6.215 +125-074-03 SSC Warburg 200 Nov 2000 5.00 100.70 Nord.8 Expo 2000 Hz European transchient Bank. 100 Jul 1999 9.00 100.865 8.860 Hamilton Bank. Paul terms, non-callable unless extend. Yield ground gover relevant government konft) at breach stopoled by land stranger. Sciomentific. Prioriting-size not. 648th equity warrants. A vibilistics. Scientification and yield. It fixed re-offer price. ip Conversion price. Yi.025. Fiz. 67.11Y5F. Callable on 90.9999 at 1055-%. Refulling discussion and yield. It fixed re-offer price. ip Conversion price. Yi.025. Fiz. 67.11Y5F. Callable on 90.9999 at 1055-%. Refulling classes setting 278997 it 286-98. bi Advanta Credit. Card Mexics Trinst. Average lite. 5.49 yrs. bit) Principal ident. Principal control of the price of th 120 Sep 2000 0.125# 100.00 150 Jel 2001 4.25 103.20 3.540 250 Jen 2011 zem 66.27 Cosar Ostala)97 (III Dec 1986 8.75 99.8849) 8.828 425(7 4.48) Lebryon Brothers toll 200 Jun 2001 60 99.825R Pelmetfelible int(III) PTT Nederland(y) 1.2km . Md 2006 6.50 98.50sR 6.710 +260 Rehobenk Nederland 250 marked 7.625 99.25R 7.723 +1008-12yn . ABM Arms Houre Grit 4 Arpsmiline 250 . bul 1999 7.525 99.00R 7.722 +308/12\_5-99.8BM Arms Houre Grit Bico 110 . Md 2007 5.30 107.60 5.129 ABM Arms Houre Grit Abb-Coer Bank . Marris Capital Corp. 16s Jul 2006 6.875 56.518 6.945 1399 Secilità Siminate **CONTRACTS & TENDERS**

### **CROATIA**

### INVITATION FOR TENDERS INTERNATIONAL COMPETITIVE TENDERING

Construction of semi-highway Rijeka-Karlovac, section Delnice - Kupjak - 7,92 km

Date: June 14, 1996 Contract no: 345-04-01-5449/96

1. Hrvatske ceste, a company for maintenance, protection, reconstruction and construction of roads in Croatia. riversia cesse, a company for manufactures produced in Country Regulation on Procurement of Goods, Services and Zagreb. Vonctura 3, in accordance with the Statutory Regulation on Procurement of Goods, Services and Zagreo. voncinua 2. in accommon visual senders for construction of semi-highway Rijeka-Karlovac, section Works (Narodne novine no. 25/96) invites tenders for construction of semi-highway Rijeka-Karlovac, section works rearoune nowne no. 2000 at the section of the

2. Interested eligible tenderers may obtain further information from, and inspect the tender documents at the affice of

Hrvatske ceste Voncioina 3 10 000 Zagreb

Phone: (385 1) 44 58 65 or 41 44 82 Fax: (385 1) 444 52 15 or 44 18 56

 A complete set of tender documents may be purchased by any interested tenderer on the submission of a written application to the above and upon payment of a non-refundable fee of 1,000 Kma to the giro-account written application to the above and upon payment of 100 HeS to the females. written application to the above and apon payment of 180 USS to the foreign currency account no. 70000-840-no 30102-601-82731 or an equivalent amount of 180 USS to the foreign currency account no. 70000-840no 30/02-003-62/31 or an equivalent acres. Tender documents are available from June 18, 1996. Additional 0182800-288 open at Privredna banka Zagreb. Tender documents are available from June 18, 1996. Additional sets of documents may be purchased each at the same price.

the second of th

4. All tenders must be complete and delivered in duly scaled envelopes,marked "NATIECAI DELNICE-KUPJAK", to the above mentioned office, on or before July 16, 1996 12.00 noon. Tenders must be accompanied by tender security in the amount of 750.000 Kuna or an equivalent convertible currency. Tenders will be opened immediately following the deadline for submission, at 12.00 noon, at the premises of HRVATSKE CESTE, Room 400, Voncuuna 3, Zagreb.

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### to fund a loan to be made by it to ISVEIMER Istituto per la Sviluppo Economico dell'Italia Meridionale

Italian Lire 150,000,000,000 Floating Rate Notes due 1997

Fiduciary Issue by Kredletbank S.A. Luxembourgeoise

**Tubemakers Finance Limited** 

**Notice of Redemption** 

to the holders of

Transferable Loan Certificates ("Certificate")

issued by .

**Tubemakers Finance Limited** 

(ACN 008 575 317)

and guaranteed by Tubemakers of Australia

Limited (ACN 007 519 646)

pursuant to a U.S.\$180,000,000 Transferable Loan

Certificate Facility Agreement

(the "Facility Agreement") dated 29 May 1992

NOTICE IS HEREBY GIVEN that Tubernakers Finance Umited ("the Issuer") will prepay all outstanding Certificates together with

mil interest accrued on 26 June 1996.

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from June 17, 1996 to September 16, 1996 the Notes will carry an Interest Rate of 9 34375 % per annum. The Interest Amount payable on the relevant Interest Payment Date, September 16, 1996 will be ITL 118,095 per ITL 5,000,000 pnncipal amount of Note and ITL 2,361,892 per ITL 100,000,000 principal amount

The Agent Bank



The Royal Bank

of Scotland Group pic

US \$350,000,000

UNDATED FLOATING RATE

PRIMARY CAPITAL NOTES

Notes, notice is hereby given that for the Interest Period from 17th June 1996 to 17th December 1996,

the Notes will bear a Rate of Interest of 6.00% per

annum. The amount of interest payable on 17th December 1996 will be US \$305.00 per US \$10,000 Note and US \$7,625.00 per US \$250,000 Note.

AGENT BANK:

Charterhouse Bank Limited

is Regulated by The Securities and Futures

In accordance with the Terms and Conditions of the

European Investment Bank Portuguese Escudos 30 Billion Floating Rate Bonds due March 2005 (issued on March 15, 1995) Portuguese Escudos 30 Billion Floating Rate Bonds due March 2005 (assued on June 15, 1995)

Notice to the Holdens

Notice is hereby given that the Bonds will carry an Interest Rate of 7% per annum for the period 15.06.1996 to 15.09.1996.

• PTE 1,764 per PTE 100,000 nominal • PTE 17,644 per PTE 1,000,000 nominal

 PTE 176,438 per PTE 10,000,000 nominal PTE 882,192 per PTE 50,000,000 nominal

Luxembourg, June 17, 1996

Midland Bank pic

U.S. \$300,000,000 Undated Floating Rate Primary Capital Notes (Series 3)

For the six moratic form June 17, 1996 to December 17, 1996 the Notes will carry an interest rate of 5,9125% per annum. On December 17, 1996 interest of U.S. \$300.55 and U.S. \$3,005.52 will be payaline per U.S. \$10,000 and U.S. \$100,000 respectively for Coupon No. 20. By: The Class Manhatian Bank, N.A. Loodyn, Agent Bank

June 17, 1995



City of Stockholm

US\$325,000,000 Floating rate notes 1999 Notice is hereby given that the

notes will bear interest of 5.55078% per annum from 17 June 1996 to 17 September 1994 interest payable on 17 September 1996 will amount to US\$14.19 per US\$1.000 note, US\$141.85 per US\$10,000 note and US\$1,418.53 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

**JPMorgan** 



BANQUE PARIBAS LIS\$200,000,000 Undated floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the three month interest period from 17 June 1996 to 17 September 1996 the securities will carry an interest rate of 5.9375% per annum. Interest due on 17 September 1996 will amount to US\$15.17 per US\$1,000 security.

Agent: Morgan Guaranty Trust Company **JPMorgan** 



**BANQUE PARIBAS** US\$400,000,000 Undated subordinated floating rate securities In accordance with the provisions of the securities, notice is hereby given that for the Interest period from 17 June 1996 to 17 September 1996 the securities will carry an interest rate of 5.75% per annum. Interest payable value 17 September 1996 per US\$1,000 security will amount to US\$14.69 and per US\$10,000 security will amount to

Agent: Morgan Guaranty Trust Company JPMorgan

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### FINANCIAL TIMES MONDAY JUNE 17 1996 CURRENCIES AND (Sch) 10.7772 (SF) 31.3310 (DK) 5.8725 (FM) 4.8551 (FF) 1.859 (DA) 241.750 (DA) 1.5813 (DA) 1548.56 (LF) 31.2831 (FA) 1.765 (BA) 4.569 (FA) 126.70 (FA) 126.70 (FA) 126.70 (FA) 1.531 -0.0872 150 - 193 -0.254 290 - 380 -0.069 710 - 740 -0.0132 813 - 866 -0.0432 855 - 855 -0.0132 826 - 231 -1.21 700 - 810 -0.0078 206 - 810 -1.254 280 - 380 -0.0333 054 - 0.99 -0.0335 054 0.99 -0.0357 228 - 305 -1.1 950 - 0.00 -0.0885 700 - 740 -0.0337 504 - 513 -0.0039 401 - 513 -0.0039 401 - 513 -0.0635 647 - 788 -0.1551 355 - 728 -0.0312 214 - 301 +0.0148 933 - 081 -0.0276 336 - 415 -0.0076 396 - 735 -0.0001 714 - 726 +4.56 804 - 750 -0.1551 155 - 728 -0.0076 205 - 225 -0.0087 780 - 912 -0.513 189 - 433 -0.395 780 - 912 -0.0088 214 - 236 -0.0088 214 - 236 Europe Austria Austria Belgium Denmark Finismd France Germany Grace Ireland Isly Lucerrico Nothestay Portugal Spein Swiden Swiden Suitzentu UK Enu SDR† TE.A408 48.0492 97.0116 7.1963 7.927 2.3358 18.5288 16.4484 48.5100 49.0730 9.0500 9.0184 7.2130 7,1630 7.9615 7.8313 2.3465 2.3362 372.973 388.955 0.9724 0.9711 2387.20 2369.22 48.5700 48.0730 2.6284 2.6121 10.0945 10.0151 242.883 240.886 198.330 197.731 10.3017 10.2668 1.9281 1.8145 104.9 706.7 107.5 83.3 108.5 67.3 88.2 76.2 76.5 106.9 94.7 80.6 94.7 80.6 111.1 85.6 23 26 19 07 1,9 24 31,3310 5,8725 1,5651 1,5652 1,5652 1,5613 1,5613 1,5613 1,7057 8,6268 157,000 128,720 1,6648 1,5370 1,2508 1,5370 1,2408 1,5370 1,2408 47,5352 8,9825 7,1882 7,272 2,5347 0,9705 0,9705 2,9016 10,005 242,531 198,511 10,2762 1,9067 28 19 07 19 27 07 28 10 10 10 33 6.9715 2383.52 48.0492 2.615 10.0225 241.725 196.090 10.2751 1.9173 08 -33 26 30 10 -21 -15 00 31 1,2417 1,2373 Americas Argantina Argantina Brazi Canada Masico (N USA Pacific/Mild Australia Hong Nong India Israel Inger Maleysia New Zeelans Philippines Saudi Arabis Saudi Arabis South Aletes South Mores Thautend † SOR min py uminet but an (Past) (RS) (CS) (Rs) (R) 1.5425 1.5841 1.5447 1.5860 2.1147 2.0984 11.7422 11.6859 1.5430 1.5348 - 353 - 363 - 023 - 83/1 - 373 0.9986 1,0012 1,3673 7,5975 - 985 - 987 +0.0012 010 - 013 -0.0011 670 - 675 -0.0225 950 - 000 84.8 97,1 +0.0073 366 - 373 1.5430 1.5343 1 +0.0131 414 - 435 1.9574 1.9403 +0.0131 414 - 435 1.9574 1.9403 +0.0132 270 - 546 53.9592 53.2200 +0.0156 122 - 196 5.0272 4.9899 +0.188 028 - 181 187.440 185.950 1 +0.0213 330 - 363 3.8475 3.8239 +0.0213 330 - 363 3.8475 3.8239 +0.0277 760 - 831 2.2934 2.2798 2 +0.1957 821 - 690 40.3989 40.1821 +0.0279 526 - 860 5.7868 5.7547 +0.028 873 - 980 5.7868 5.7547 +0.028 873 - 980 5.7868 5.7547 +0.038 873 - 980 5.7868 5.7547 +0.1322 132 - 478 42.5899 42.5732 http://doi.org/10.1016/10.10 +0.0023 834 - 642 +0.001 430 - 440 - 000 - 000 -0.0056 619 - 652 -0.42 700 - 730 +0.0018 945 - 955 -0.0009 837 - 862 - 500 - 200 - 502 - 507 -0.001 085 - 095 +0.057 520 - 570 -1.45 100 - 400 -0.048 020 - 120 -6.033 250 - 250 spenate to the Daller Spot **53.7** -1.2637 7.7435 34.9000 3.2638 108.725 2.4950 1.4843 28.1850 4.3545 7.4080 4.3545 798.250 27.6070 25.3300 CROSS RATES AND DERIVATIVES EXCHANGE CROSS RATES 18.75 10 11.37 3.866 9.285 0.380 3.442 8.741 4.583 8.789 4.694 9.026 4.296 5.872 5.472 7.281 410.8 218.1 248.1 84.49 203.5 8.327 75.44 197.2 100. 192.8 102.9 197.3 94.15 128.7 1188.7 21.53 11.38 12.93 4.367 10.57 10.24 4.256 5.19 5.341 10.27 4.668 8.662 8.146 8.366 2.977 1,108 1,259 0,427 1,029 0,508 0,508 0,508 1 0,476 0,651 0,658 1 0,658 1 3.102 1,703 1,936 0,657 1,581 0,065 0,586 1,587 0,777 1,497 0,799 1,537 0,792 1,537 16.49 6.797 10 3.392 8.169 0.334 3.226 7.916 8.291 4.014 7.731 4.129 7.940 5.166 4.732 6.414 4,862 2,894 2,948 1 2,406 0,690 0,693 2,334 0,670 1,184 1,217 2,341 1,114 1,828 1,401 2.019 1.077 1.224 0.415 1 0.571 0.569 0.408 0.494 0.505 0.505 0.572 0.463 0.632 0.726 4237 2834 2964 1015 2445 100. 908.6 2270 965.1 1202 2315 1236 2577 1181 1547 1435 1620 5.445 2.905 3.302 1.120 9.110 1 2.614 1.067 1.225 2.523 1.268 2.622 1.248 1.706 1.506 2.118 20.83 11.11 12.83 4.284 10.32 0.425 3.825 10 4.157 5.071 9.766 5.218 10.08 4.774 6.526 6.002 8.102 501.1 267.3 303.9 103.1 348.3 10.15 92.03 240.5 100. 125.5 241.3 114.8 157.0 144.4 184.5 3.994 2.131 2.422 0.821 1.978 0.735 1.917 0.797 1.972 1 1.925 1.251 1.151 1.588 2.328 2.646 0.897 2.162 0.801 2.096 0.871 1.082 2.046 1.083 2.101 1.367 1.367 High 0.8800 0.6625 0.8675 --- Close --1.5370 1.5365 1.5361 1.5365 -0.0001 -0.0002 -0.0004 The FT Guide to World Current table can be found on the Mari 1.5345 1.5340 1.5336 1.5329 -0.0019 -0.0018 -0.0020 UK INTEREST RATES Bat.vot Open int. 5,394 81,430 89,784 61,144 91 3,656 Sett price 0.9185 0.8282 0.9401 Change -0.0099 -0.0090 -0.0032 Low 0.9182 0.9280 0.8295 1,5430 1,5420 1,5430 1-3 R PHILADELPHIA Strike Price 1,510 1,520 1,520 1,540 1,560 DANK RETUR BANKING DEPARTM

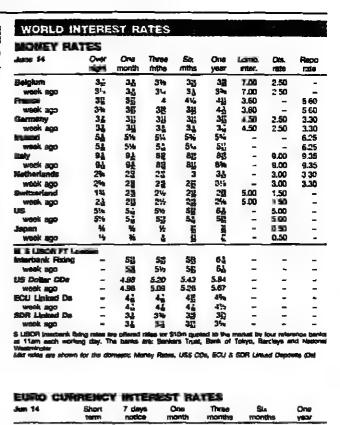
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an 9ac 200011			5,258	Sa3 Mr3 Ja14 Jy14	B.12 1299	Trees Spc 201344	96%	-4	6,100	M27 3x27	18.1 2229						
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<b>0.32 1745</b>	(b) Figures in purenthrous strow RPI base for indexis morable prior to lastel) and have been adjusted to rebesting of RPI to 190 in February 1987. Conversio 3,945, RPI for October 1986: 149,8 and for May 1985:	n factor	FINANCIAL States plu. 1 Work as Rose States 1800 SEC.
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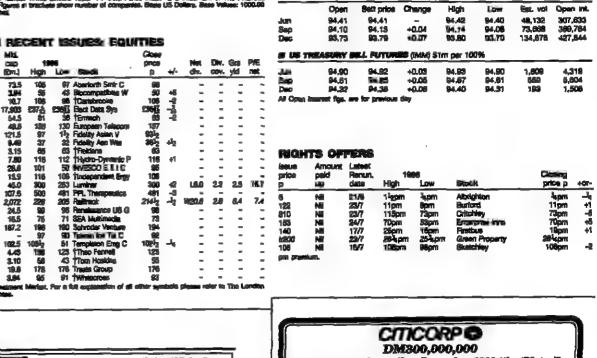
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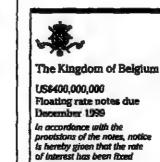
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CITICORP • Subordinated Bank Adjustable Note Capital Securities BANCS Notice is hereby given that the Rate of Interest has been fixed at 5.875% and that the interest payable on the relevant interest Payment Date September 17, 1996 against Coupon No. 39 in respect of US\$50,000 nominal of the Notes will be US\$750.69. June 17, 1996, Landon By: Cábank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANG



of 5,6875% for the Weignest determination period 17 June 1996 to 16 December 1996.

Interest payable on 16 December 1996 will amount to US\$2,875,35 per US\$100,000

Morgan Guaranty Trust Company

**JPMorgan** 

In the High Court of Justice No 003057 of 1994 Chancery Division Computation Court IN THE MATTER OF

BAIN HOGG GROUP PLC

IN THE MATTER OF TARE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Person was on the 30th May 1996 presented to the Majery's High Court of Justice for the confirmation of the reduction of the Share Permison Account of the above-common Company by £149,100,000.

AND NOTICE IS FURTHER GIVEN that the unid Person is directed to be heard before the Companies Court Registers at the Royal Courts of Instite. Strand. Lendon WC2A ZLL on Wednesday 26th June 1996.

Any crother or shareholder of the said Company desiring to appose the making of an Order for the confirmation of the said reduction of Share Permison Account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such peasan requiring the same by the undermentioned Solicitors on posyment of the regulated change for the same.

therge for the same.

DATED the 13th day of June 1996. Staughter and May 35 Businghall Street Localon ECTV 5DB Tel: 0171 800 1200 Ref: RLH

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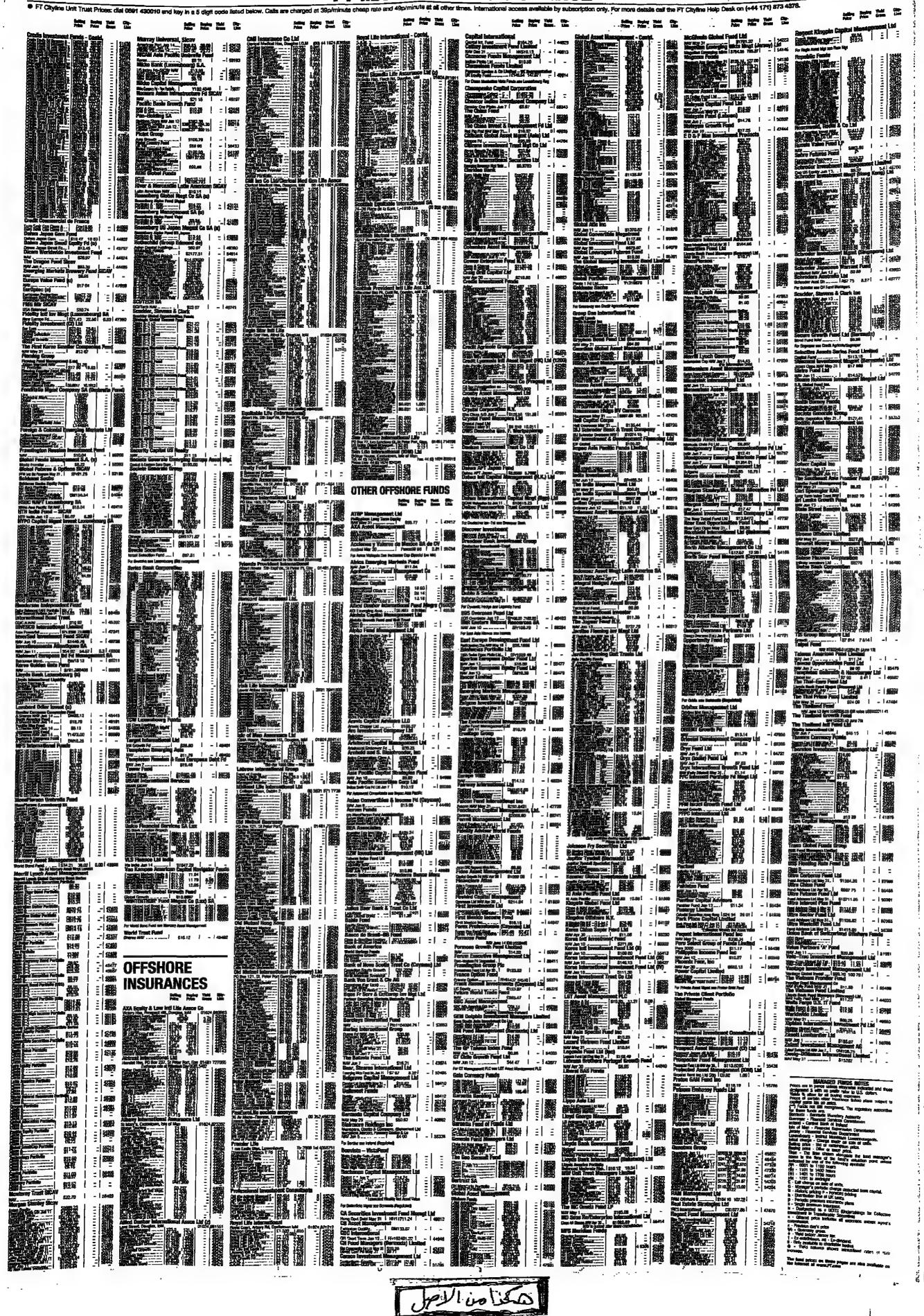
The FT CLEDE TO WOSE D CURRENCIES, published in Monday's assuapeper and covering over 200 camercies, is now available by disting the followin ransher from the keypind or hundret of your fax machine. 989: 437-941,

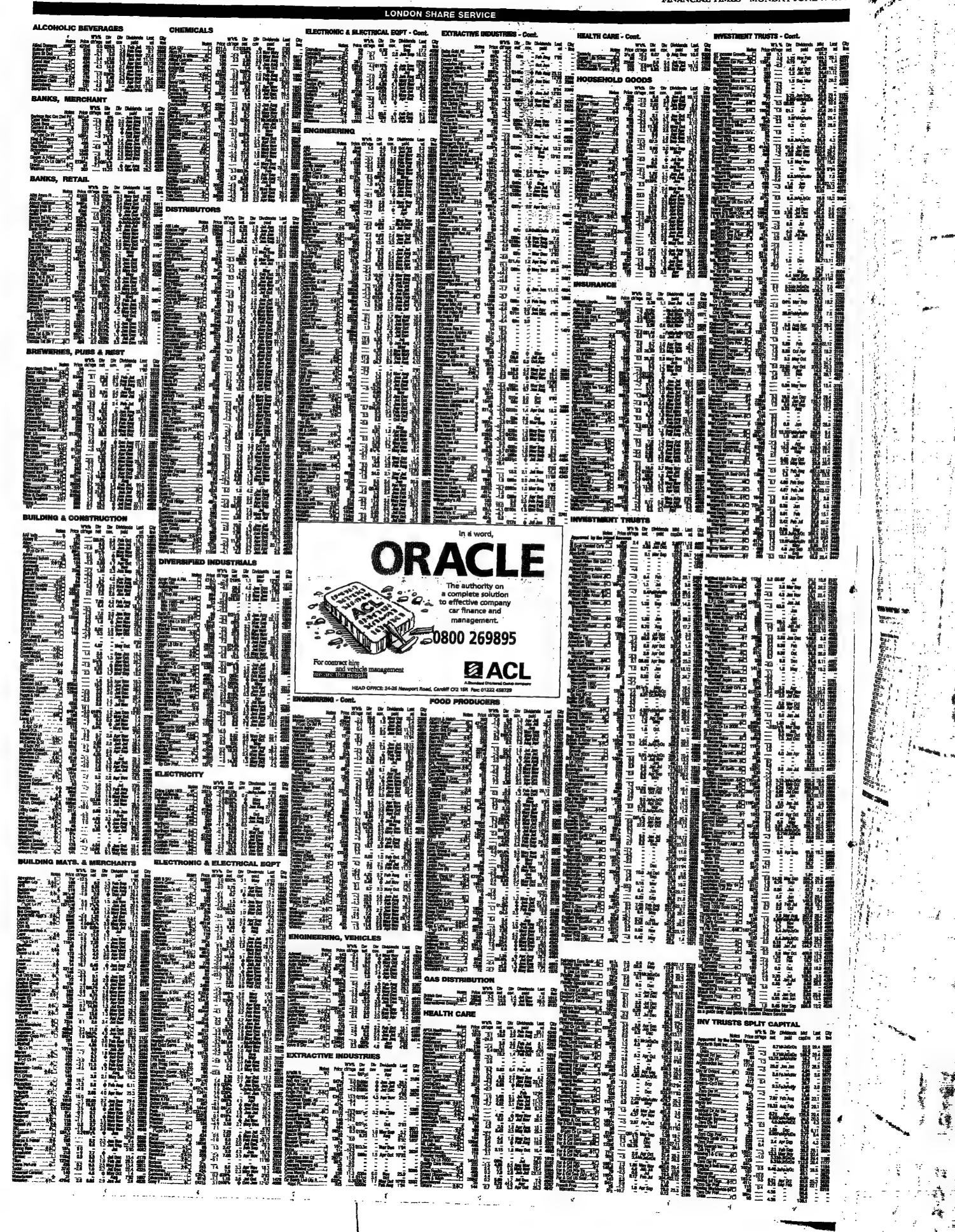
Calls are changed at 39-pinks these rate and 49-pinks at all other times. For service coulde fan UK please telephone-44 17: 873-4378 for details on Cityline Internation.

further information, please contact; Jeremy Nelson Tel: 0171-873-3447 Fax: 0171-873-3062

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FINANCIAL TIMES MONDA	Y JUNE 17 1996 *	
4 pm close June 14	NYSE PRICES	
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### **MONDAY**

17

US sanctions on China

The deadline falls for US-imposed sanctions against China over its abuse of intellectual property rights. Washington, which was still trying to reach a peace agreement as the deadline approached, has threatened to impose punitive tariffs on \$2bn (£1.3bn) of Chinese Imports, including textiles, unless Beijing compiles with demands that it take sterner measures to crack down on pirate producers of compact discs, computer software and audio-visual material. China has vowed to retaliate by imposing counter-sanctions on US imports.

Israeli parliament convenes Israel's newly elected parliament convenes for its opening session. The 120 members were elected in May when Benjamin Netanyahu, the prime minister-elect of the rightwing Likud party, upset Shimon Peres, the incumbent Labour prime minister, in a wafer-thin victory. Mr Netanyahu, entangled in coalition negotiations, is scrabbling to present a negotiations, is straining to present a government at today's session. Elected on a platform opposing Mr Peres' peace policies with the Palestimans, Mr Netanyahu has since signalled a willingness to continue the process. His ministerial appointments are awaited as an indication of whether Israel will be steered towards co-operation or confrontation with its Arab neighbours.

EU foreign ministers in Rome European Union foreign ministers meet in Rome to prepare for the European summit in Florence on Friday. Ministers will be seeking a resolution to the beef crisis. The UK wants a political signal in favour of a phased lifting of the ban on British beef exports in return for ending its non-cooperation.

### Berlin digital media fair



Hundreds of companies will be exhibiting at the digital media world exhibition in Berlin, Germany's media and television companies are feverishly

manoeuvring for alliances to launch digital pay-TV and tap the market for interactive services - such as home banking and shopping (to June 21).

EU/US explore "open skies" EU transport ministers in Luxembourg will attempt to agree a mandate for opening negotiations between the EU and the US on an "open skies" agreement. Such an agreement would create a "joint civil aviation area" between the US and EU in which companies from both sides compete on the b rules. The talks come days after British Airways and American Airlines concluded an agreement to create the world's most powerful airline alliance. Ministers will also discuss proposals for a "single European airspace" in air traffic control.



Copy cets: America is on the verge of invoking its threat of secretions against Chins If Beijing fails to crack down on picate versions of American product

### Antiques fair

Aritain's grandest antiques event, the Grosvenor House Art and Antiques Fair, continues all week in Park Lane, London About 90 dealers are offering works of art ranging from prints for under £100 to more than £1m for paintings by Brueghel and Avercamp. The fair also includes beautifully presented furniture, silver, decorative works of art, clocks and books.

FT Survey European Financial Results.

Public holidays Bermuda, Colombia, Gibraltar, Hong Kong, Iceland, Malaysia, South Africa.

### TUESDAY 18

Cyprus president iл US Glafkos Clerides, president of Cyprus, visits Bill Clinton, the US president. This marks a fresh international effort to reunite the Greek and Turkish communities as a loose federation – with the UN acting as a mediator to find "common ground" for Mr Clerides to resume direct talks with Rauf Denktash. the Turkish Cypriot leader. Cyprus's EU application has given new impetus to finding a solution for the island, which has been divided since Turkey's invasion

UK beef proposal discusse MKPs gather in Strasbourg for a plenary session of the European parliament - but attention may be diverted by the European commissioners, who will discuss the five-point framework document from the UK on lifting the ban on British beef

exports. The outcome could determine whether agreement is possible at the EU heads of government meeting in Florence. Parliament, meanwhile, will vote on three reports on monetary union.

Blair faces German industry Yony Blair, the leader of the UK's opposition Labour party, addresses the annual meeting of the federal association of German industry.

Horse racing Royal Ascot (to June 21).

Public holiday Seychelles.

### WEDNESDAY

### US grilled on petrol imports



**ECONOMIC DIARY** 

will implement a WTO ruling that its rules on cleaner petrol unfairly discriminate from Venezuela and Brazil. The US has "a reasonable period of time" to remove the discrimination, due to end in any event in

The US is expected

Trade Organisation

to tell the World

in Geneva how it

19

treatment of foreign magazines. Bangladeshis return to polls

Repolling today in 27 constituencies will

seal the outcome of Bangladesh's seventh

Statistics to be released this week

1998. Also on the agenda is a US complaint against Canada's alleged discriminatory

partiamentary elections. Polling for the 300 contested seats last week gave the Awami League 123 seats - 29 shead of the Bangladesh Nationalist Party led by Khaleda Zia, the former prime minister. Smaller parties may determine who governs, with the Awami League looking set to fall short of the requisite majority. Repolling was ordered by the election commission after finding "irregularities" in 123 polling stations. Voting was otherwise deemed generally fair and free.

MEPs review IGC progress MEPs will hear reports from the Council of Ministers and the European Commission on progress at the intergovernmental Conference to review the Maastricht treaty, and consider the agenda for the Florence summit. They will also debate proposals to allow Norway and

Golf Evian Masters, Royal Evian, France (to

iceland, non-EU members, to join the

Schengen group of EU countries which has removed inter-border controls.

FT Surveye Private Banking, Malaysia.

Public holidays

June 22).

### Algeria, Fiji, Trinidad, Uruguay. THURSDAY 20

Crans-Montana forum opens The annual Crans-Montana forom starts in the Swiss ski resort (to June 23). The forum kicks off with a meeting betwee Yassir Arafat, the president of the

Palestinian Authority, and Shimon Peres, the former prime minister of Israel, and is followed by events featuring several central Asian and eastern European. presidents. The agenda includes the Middle Rast peace process, regional economic co-operation, and politics and investment in central and eastern Europe.

EU near to energy deal After six years of negotiations, EU energy ministers meeting in Luxembourg ma finally agree on a plan to open the EU's electricity market to cross-border competition. A compromise plan agreed between France and Germany has been endorsed by Italy and hopes are high for its approval. Under the plan, about 22 per cent of the electricity market would be opened to competition initially, rising to about 32 per cent after six years.

Cricket -Second Test match, England v India, Lord's cricket ground, London (to June 24)

Golf BMW International Open, Munich (to June

FT Surveys

Swedish Banking; France. Public holidays

Hong Kong, Macau, Taiwan.

### FRIDAY 21

Arab leaders in Cairo

The first full Arab summit since 1990 opens in Cairo to discuss prospects for Middle East peace following the election of the rightwing Likud party in Israel (to June 23). Leaders of all 21 members of the Arab League have been invited - with the exception of Iraq, with which some Gulf states refuse to sit. The Arabs hope to hammer out a common position to encourage Benjamin Netsnyahu, Israel's new prime minister, to continue the peace process with the Palestinians and bring Syria and Lebanon into the arena. However, inter-Arab rivalries are bound to

### Beef tainte 60 summit

EU leaders meet in Rome for a two-day summit overshadowed by the beef crisis. The summit's chief theme will be employment. Jacques Santer, the president of the European Commission, is calling for a "pact of confidence" between employers, trade unions and governments to restore growth and jobs. On Saturday, EU leaders will meet their counterperts from central and east European countries, as well as Cyprus and Malta, which hope to join the EU around 2002.

### Popë visits Germany

e John Paul II makes his first visit : Germany since it was reunited in 1990. About 58m Germans are split nearly equally between the Catholic and Protestant churches. On Sunday, 150,000 people are expected to attend mass at the Olympic stadium in Berlin (to June 28).

### Gymnastics

World championships, Budapest (to June

FT Survey London Business Property.

Public holidays Finland, Sweden, Togo.

### SATURDAY

Japan/South Korea summit Japan and South Korea hold a rare summit after the announcement that the 2002 World Cup soccer finals will be shared between them. Ryutaro Hashimoto the Japanese prime minister, will meet Kim Young-sam, the South Korean president, on the island of Cheju in South Korea (to June 23). The meeting is.

food aid to North Korea, fishing rights and

22

Masters world championships, Sheffield, England (to July 2).

to discuss bilateral issues such as

Public holidays

Croatia, Finland, Sweden.

SUNDAY

sport.

### Chile poised for Mercosur



The World Economic Forum is staging a three-day Mercosur summit in Buenos Aires attended by 500 business and political leaders as well as the presidents of

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Argentins, Brazil, Paraguay and Uruguay. A central issue will be Chile's expected incorporation into the pascent customs union. Chile, which also has aspirations to join the North American Free Trade Agreement and whose uniform external tariff is incompatible with Mercosur's, will not become a full member.

Chad presidential elections Idries Deby, the president of Chad in central Africa, will stand against Abdelkader Wadai Kamougue, the main opposition candidate, in the second round of the country's first presidential election.

Mr Deby failed to win a clear majority in the first round. Opposition candidates say the voting was flawed but foreign observers have given it a clean bill of

Jiang Zemin leaves for Spain Jiang Zemin, the president of China, es for state visits to Spain, Norway Romania, Uzbekistan, Kyrgyzstan and Kazakhstan. It will be Mr Jiang's first visit to the six countries (to July 6).

Compiled by Simon Strong. Fax: (+44) (0)171 878 8194.

FISHERMANS REACH

Your Cotswold Country Retreat

### Other economic news

Monday: The Bundesbank releases its latest monthly report. Details of Tokyo department store sales in May will also be released.

Tuesday: Economic growth is expected to have accelerated in Japan during the first quarter of the year. UK public sector borrowing figures for May will indicate whether an enduring recovery in tax revenues is under way. US housing starts are thought to have edged lower last month. Wednesday: Minutes of the

May 8 meeting between the chancellor and governor of the Bank of England are released, while UK retail sales are pre-dicted to have accelerated last month. Swedish factory production growth is thought to have slowed in April. Thursday: The monetary pol-

icy council of the Bank of France meets, as does its Swed-ish equivalent. The Dutch trade balance is thought to have narrowed in April. The US trade balance is predicted to have been stable last month, but the current account deficit may have widened in the first quarter of the year.

Friday: Growth in French industrial production is thought to have slowed sharply in April.

Day Reference	Country	Homoraic Statetic	Noden Forecast	Previous Actual
Mon .	Japan	May Tokyo dept store sales*		1.9%
June 17				1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1
Tues	US	May housing starts	1.48m	1.52m
June 18	US	May building permits	•	1.46m
	US	1st quarter productivity reverse	- ·	2.6%
٠.	Japan	1st quarter GDP†	4.5%	3.6%
	Japan	June wh'sale price Ind (1st 10 days	ij-	-0.1%
	Jepen	May money supply (M2+CD)**	3.0%	8.0%
	Japan	May broad squidity**		3,4%
	LK	May pub sect borning req.	\$2.9bn	\$3.36m
	italy	April producer price index**	3.0%	3.8%
	losiy	April wholesale price index**	4.3%	5.8%
	Sweden	April current account (SKr)	4.1bn	4.6bn
Wed	UK	May retall sales*	0.4%	0.2%
June 19	UK '	May retail sales**	2.5%	2.2%
	NthTend	April tracie balanos (FI)	•	4.3hn
	Sweden	April retuli sales	0.5%	-1.6%
	Sweden	April Industrial production**	0.2%	0.6%
Thur	UK	Mary M4*	0.7%	0.6%
June 20	UK	May M4"	9.8%	10.0%
	UK	May M4 lending (2)	5.0bm	4.2bn
	uk	May b'id soc net new com't'mats	3.6ют	3.4bm
	UK	May motor vehicle production	-	rive
	US	April trade, goods and services	-\$8.7bn	-\$8.9km

April goods & services export

	Continue	Modera	Parket
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	Jepen Apr pere consump expend	(arlander Shill you	***
	Japan April Income (workers)	100	0.0%
<u>.</u>	France Apr-industrial production	0.2%	0.8%
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	Canada Apr. marufacturing Migmen	1.3%	4
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- :	Germany May producer price index.	west 0.7%	0.476
	Garmeny May producer price Index,	-0.8%	ALC:
	Germany May prol pilos int. pan G	emaily 01%	50.1%
	Gentlety May prid price Ind. per-G	ennery 0.4%	g. 18.5%
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month on mouth, "year on year"; seemed. Stateling, country MASTIN

- 1 Wear for the mounted, as an old Yorkshire custom (5,5)
  7, 15 Gather a pass, not before
- time (7)
  9 Frightened, we are swalkowed by a fish (5)
  10 Tailless fish gets support from aircraft (9)
  11 Top of the wave in form of
- spout (9)

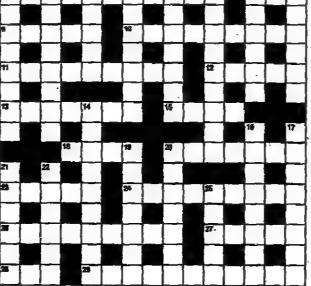
  12 Fibre from New York and London? (5)

  13 "Put out the light, and then put out the light" (5,2)

  15 Sec 7 across
- 18 Saintly American composer? 20 Swan with a cough? (7) 23 Dark as a bed in Paris (5) 24 Boxer's ability to telephone a
- ship (4-5)
  26 Aerobatic performance by 17 wretch fuddied with ale (9) 27, 28 Road to Orkney, fourth
- 29 Hawailan between boards? 20 Rattigan's boy acquires base

first, with third diminished

- DOWN Resort for rescuer worried about nothing (8)
   County, river and ancient city in heavy rain (8)
   Lowest piece of action, a dirty trick (5)
- Sound horn when about to reverse frequently at high
- speed (7)
  5 Where wounded albatross, head and tail missing, could be straightened out? (7)
  6 Companies put together (3,3,3)
  7 Clot! Doctor turned up in proper clies (3) wrong clue (6) 8 Beastly flower (English), with a bit of luck on a tree (6)
- 14 Ban on the west entering sta-bilisers in the Potteries (4.5) 16 Badly bung maps reveal moss (8) Taking in hits of religion and
- theology is automatic in church members (8) 19 Operator to move suddenly
- (7) 21 Czech to call Czech, say? (6) 22 A bit of snow, start of life among the warmly clad? (6) 25 Funny note by Greek charac-ter, mostly (5)



### MONDAY PRIZE CROSSWORD No.9,096 Set by CINEPHILE

A prime of a Pelikam New Classic 360 fountain pen for the first correct solution epened and five runner-up prizes of 235 Pelikan vouchers will be awarded. Solutions by Thursday June 27, marked Monday Crossword 9,086 the envelope, to the Financial Times, 1 Southwark Bridge, London S21, 9EH, Solution on Monday July 1. Please allow 28 days for delivery of prizes.

Winners 9,064

M. Wilson, London N17 R.J. Clark, Biggin Hill, Kent A. and M. Jones, Hobnfirth, Huddersheld A.M. McAllister, Maryhill, Glasgow Mrs A.G. Olsen, Great Bring-ton, Northampton P Read, Lysaker, Norway Solution 9,084

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**JOTTER PAD** 

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appy birthday. Life is starting anew for Claus starting anew for Claus Dieter Ehlermann, the one-time top trust-busting bureaucrat and European Commission spokesman, who was 65 on Saturday.

One year into retirement, Ehler-mann has landed three jobs. He is a senior research fellow at the Centre for European Policy Studies in Brussels, a member of the appeals panel of the World Trade Organisation in Geneva, and a professor at the legal department of the European University Institute in Florence. Built like a pocket battleship, Ehlermann is an irrepressible character with a cackling laugh, infections enthusiasm and a talent for self-promotion which makes him one of life's natural movers and shakers. His arrival at the European University Institute has sent a shock through the system.

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The EUI has long enjoyed a reputation as a sleepy retreat for academics in search of pasta, chianti and something short of the 40-hour working week. The campus setting does not help: a stunning expanse

## Pocket battleship rams ivory tower

of historic buildings, including a former monastery, tucked into the hills overlooking Florence. There can be few more beautiful spots in Europe, as I discovered during a two-month visiting fellowship this

Ehlermann's arrival is partly a story about a cultural clash between the Brussels practitioner and the ivory tower professors. It is the kind of non-meeting of minds most journalists understand when they first pick up a book on neofunctionalist integration written by an American academic who has barely set foot inside the Council of

But as Ehlermann's numerous supporters would argue, his arrival shows how fresh blood is helping the EUI to adapt to the outside world. Other forces for change are Antonio Zanardi Landi, the ener-getic new secretary-general for make itself relevant to ordinary Antonio Zanardi Landi, the ener-

### DATELINE

Brussels: The European

University Institute is experiencing a culture clash as former bureaucrats and others take up key

posts, writes

Lionel Barber

administration, and Yves Mény, head of the in-house research body known as the Robert Schuman Centre. In a sense, what is happening at the EUI is a metaphor for the Euro-

The idea of setting up an institution to extend European integration into the area of teaching and research was first mooted in 1955 at the Messina conference which laid the groundwork for the Treaty of Rome. But taking decisions is never easy for Europe's bureaucrats, and

the idea was only approved in 1969 at the Hague summit. Three years of negotiations followed, and eventually an unwieldy name - European University Institute - was settled on. The name was a classic Euro-com-promise. France objected to "Euro-

graduates. The new institution would cater for post-graduates only. Approved subjects were history and civilisation, economics, law and political and social science.

pean University" because it implied

supranational poaching of under-

a year. Today, its annual intake has risen to 100 research students. In addition, there are some 20 annual post-doctoral fellows. To spend an hour in the canteen listening to students shifting easily between English, French, German and Italian is to imagine European civil society in the making.

1976. Its first intake was 35 students

Yet as one of the professors explained to me over lunch, the EUI has always suffered a bit of an identity problem. Two of its first three presidents were Max Kohnstamm, an aide to Jean Monnet, one of the architects of the European Community, and Emile Nöel, the *éminence* gris who served from 1968-87 as secretary-general of the European Commission. Both were intimately involved in the creation of the European Community and dedicated to what has become known loosely as the "European ideal". Yet visiting

eight-year posts were reluctant to confine their interests to Europe. There was a whole world waiting to be discovered. The "re-Europeanisation" of the

EUI took place in September 1993 with the creation of the Robert Schuman Centre. Mény, its first head, is a widely travelled professor of law and politics whose latest work is on corruption in France and western democracies. Under his direction the centre has become the prime forum for intellectual discussion, but also a prolific producer of working papers on subjects ranging from monetary union and the European Court of Justice to European business in Japan.

The Schuman Centre is slowly expanding its activities. It will soon take on a further half-dozen or more professors, and on Thursday Romani Prodi, the new left-wing

Italian prime minister, will visit the centre as part of the EUI's 20th anniversary celebrations, ahead of the European summit in Florence on Friday and Saturday. The centre has also created a Jean Monnet chair, inviting academics from Belgrade, California and Japan to take it up, as well as political figures such as Elisabeth Guigou, the French socialist MEP, and Giuliano Amato, the former Italian prime minister who now runs the Italian anti-trust authority and is a

part-time professor on campus.

Meanwhile, Ehlermann has ensconced himself in an office in the centre and is quietly orchestrating a campaign for the creation of a new European anti-trust authority in the name of efficiency and legitimacy in the EU.

The irony is delicious. If successful, his campaign would lead to a partial removal of the discretionary powers over merger control held by his former bosses at the European Commission ever since the Treaty of Rome. The gamekeeper has

The EUI opened in the autumn of

## North star seeks another way to shine

After a tough six months, Nokia chief Jorma Ollila is putting his faith in data transmission. By Hugh Carnegy

Not many months ago, Jorma Olifia was feted far beyond the shores of his native Finland for transforming Nokia from a sprawling conglomerate once best known for making tyres and tollet paper into one of the world's top performers in the rapidly expanding business of

mobile telephony.
Today, Nokia's chief executive is battling to put the company back on track after a nasty six months during which its once meteoric profits growth has stalled and the company at one point saw a 50 per cent crash in its share price.

The bespectacled, affable Ollila compounded his problems with a couple of uncharacteristic gaffes. The day before Nokia issued a confusingly opaque profits warning last December. Ollila, on a visit to Stockholm, was quoted as making upbeat comments about the US market that seemed hard to square with what subsequently emerged. Then, following the profits warning, the normally voluble Ollila was slow to make himself available for explanations, by which time many investors had already drawn their own conclusions and sold. "Olitia at his balance," says a Helsinki-

A colleague admits Nokia's leadership had to some extent been blinded by success. "However much we tried to be very careful not to be lacent, there were some symptoms of that," he admits.

Olhila, a vigorous tennis player. himself acknowledges that the past few months have been a time of "tremendous stress", but insists: "I get energised when times are difficult." He is adament that Nokia is on the path to recovery. There is tremendous confidence in the organisation about what we can do in the marketplace," he says. The company has yet to emerge from its difficulties. Profits in the first quarter fell from FM1.35bn (£186m) to FM399m and will be down again on last year at the sixmonth stage because of setbacks in the mobile handset division, the biggest Nokia unit and the engine of its spectacular growth over the past four years. The share price, trading around FM190, is still far from its peak of FM340 last September. Rumours of takeover or merger bids - apparently unfounded - have swirled around the company.

Perhaps tempered by the sobering experience of the last few months, Ollila has warned that last year's extravagant profit margins, approaching 15 per cent of sales, are a thing of the past. But he now forecasts sales growth of more than 80 per cent for the year and improved profits performance in the second half. "We are moving very quickly to a situation where not only will we solve the mobile telephone problems in the first six months, but we will also see the impact of new products in the top and bottom line," he says.

Thousands - perhaps millions

of Ollila's compatriots are hoping that this confidence will prove justified. Since Ollile, a former banker and London School of Economics graduate, took over as Nokia chief executive in 1992, his transformetion of the company has become a source of intense pride in Finland. With a market share of more than 20 per cent, Nokia is the world's second largest producer of mobile

telephones after Motorola. Members of Ollila's team of young Finnish executives - at 45 he is one of the oldest of the top managers have become dynamic and important symbols of international success at a time when Finland is still recovering from a crippling recession: 17 per cent of the workforce, and 30 per cent of those under 25, are out of work.

Nokia will strive with all its might to recover its former star sta-tus for the simple reason that the world's mobile telephone markets are still expanding at a remarkable rate. The number of mobile - or cellular - phone subscribers is set to grow by 50 per cent this year from the 85m who were hooked up by the end of 1995. With penetration rates in most countries still well below 20 per cent of the population, the potential remains vast.

The problem Nokia faces is to manage this growth in demand while coping with mounting competition and shrinking prices, especially for handsets, which have eaten into profit margins.

The internal problems which tripped up Nokia's handsets operation were two-fold. It ran into bottlenecks in component supply. which meant it could not keep up with demand in some markets. Paradoxically, at the same time it overestimated demand in the US, where sales growth slowed last year, and ended up with over-capacity in its US production. As prices fell, Nokia found itself with excess stocks of some expensive components.

Ollila says excess inventory is being sold off-and component sup-ply streamlined. But with 40 products manufactured in six factories for sale in 130 countries, the logisti-

Nokia's great strength has been its high return on research and development investment, particularly its early commitment to the GSM digital standard that is the fastest growing cellular system in the world. It has spent half as much on R&D as a proportion of its sales as Ericsson, its Swedish rival, helping it until recently to achieve much bigger profit margins. Ollila favours having a tightly focused R&D programme where resources are concentrated on key product



Jorma Olliia: "I get energised when times are difficult"

greas. This maximises returns - if the products are successful. ia's strategy of investing heavily in mobile data transmission. To date, most callular traffic has been voice calls. But Nokia believes that by 2000 as much as 50 per cent of cellular traffic will be data transmission in the form of short messages faxes, long files and e-mail and internet connections. Nokia will continue to produce a full range of phones for a market that is fast fragmenting, because high production volumes are vital to margins. But it will also look to high addedvalue products, especially in data transmission, to enhance returns.

But while there are many good

reasons to promote competition,

this may not be one of them. The

reason is that employers may be

engaging in "statistical discrimina-

tion". Predicting a would-be

employee's potential productivity

is expensive, time-consuming and

inherently uncertain. If an

employer discerns that the produc-

tivity of whites is on average

higher than that for blacks - say

because of educational differences

- then he or she may use race as a

This is clearly undesirable ex

post if a high-quality black candi-

date is passed over in favour of a

low-quality white. But in a world of

incomplete information it may be

an entirely rational way ex onte for

an employer to maximise his prof-

its. If that were the case, then

tougher competition might actually

This same uncertainty about

encourage this discrimination.

low-cost screening method.

In August Nokia will launch the ne products are successful.

Nokia 9000, a new "personal comMuch is therefore riding on Nokmunicator" device. Perhaps the most ambitious cellular product yet produced, it combines a telephone, personal organiser, notepad and built-in messaging, e-mail and Internet connections all packaged in a handset only slightly bigger than an existing mobile phone.

After the past six months, Ollila badly needs to show that Nokia has judged the market correctly. Outwardly at least, his confidence appears barely dented. But investor confidence has been shaken: they will be watching warily for any sign that Ollila's teem has made another



### Zmeck rises to German digital pay-TV challenge

Gottfried Zmeck has come a long way from the Benedictine monas tery in Melk, a majestic edifice perched high over the Danube in lower Austria, where he spent eight years as a school boarder, writes

Judy Dempsey in Bonn.
Last week, Zmeck unveiled ambitious plans to shake up German television. As head of Digital Fernsehen 1 (DF1), owned by media mogul Leo Kirch, Zmeck will be responsible for the launch of Germany's first digital pay-TV service next month.

Zmeck and his colleagues are enormously excited about the challenge, even though the start-up costs will total DM1bn (2400m). If things go well, DF1 hopes to break even by the end of the decade. What particularly pleases the Kirch group is that it has beaten its arch rival. the giant Bertelsmann media and entertainments group, to the post. Senior staff at Bertelsmann have often rubbished Kirch's digital

pay-TV plans, saying the technology was not ready for an early launch. But Zmeck declined to get embrolled in the war of words about who would be first with digital TV. "Kirch does things differently." says Zmeck, 39, a chain-smoker and workaholic. "We are not big on public relations. We prefer just to get on with it.

Leo Kirch himself remains secretive. Zmeck, an Austrian-born journalist, is his front-man, over the past year defending every phase of DF1's development.

Since he joined the company in February 1989 after a stint as the London-based correspondent of Zmeck has been unswervingly loya

to Kirch. Despite the risks entailed in the digital pay TV launch, - the heavy investment, and even the possibility that one day Kirch and Bertels-mann may be forced to agree on a single decoding box to prevent the market from splitting - Zmeck expresses no doubts about the sureness of Kirch's plans. Perhaps the early discipline of the Benedictines was made to order for someone now charting a costly voyage into cyber-

### Williams to step down at Getty Trust

The J Paul Getty Trust, which manages the late oil tycoon's rich arts endowment, is looking for a new president, writes Christopher Parkes in Los Angeles. The incumbent, Harold M Williams, who this summer will lead the trust's staff to a new \$800m (£523m) museum-cumcultural cantre atop a Los Angeles

hill, is stepping down.
On the verge of completing the
14-year-old trust's grandest project
to date – when the new Getty arts centre was first planned 10 years ago it was hoped that in time it would be seen as an "American Acropolis" - Williams says he plans to guit in early 1998.

While the centre, which straddles the ridges of the Santa Monica mountains hard by the San Diego freeway, is Williams' most visible achievement, another impressive legacy of his management is the trust's bunk balance.

Williams, former dean at the UCLA graduate school of management, is credited with improving the value of the oil billionaire's bequest from \$1.2bn in March 1982 to about \$3.8bn now. Almost 40 years ago Getty himself remarked that "a billion dollars isn't what it used to be", but the great man would have been impressed by the way the Getty Trust, and the investment firms that manage its wealth, have made his money grow.

The scholarly Williams, who used to claim "I teach planning, I don't practise it", clearly picked up a thing or two in his last but one job: chairman of the Securities and Exchange Commission under President Jimmy Carter.



### **Robert Chote** · Economics Notebook

## How to isolate the racist employer

### Simplistic economic theory gives false hope to Britain's ethnic minorities

Ethnic minorities form a small but growing proportion of Britain's 58m population. From 4 per cent in the late 1970s, their share rose to 5 per cent in the late 1980s and it should stabilise eventually at almost double that level.

As these relatively young com-munities come to be integrated more fully into the labour market, it has often been assumed that the economic disadvantage they suffer relative to the majority white population about lation should gradually erode. But recent trends suggest not.
According to the annual General

Household Survey, the labour mar-ket position of blacks deteriorated relative to that of whites between the 1970s and the 1980s. The difference between black and white wage levels rose from 7.3 to 12.1 per cent, while the difference between their unemployment rates rose from 2.6 to 10.9 percentage points.

And things may have got worse in the last few years. During the 1980s and early 1990s the unemployment rates of the ethnic minorities behaved "supercyclically", which is to say that they did worse than the rest of the population when the economy was doing badly but better when it was doing well

Unemployment among whites fell by 42 per cent between 1984 and 1990 and then rose by 57 per cent during the recession; among ethnic minorities over the same periods the fall was 50 per cent and the increase 109 per cent. This pattern has broken down in the present recovery, however. Since its peak, unemployment has fallen by 22 per cent among whites but only 17 per cent among the minorities.

The net result is that by the autumn of 1995 the unemployment

rate for ethnic minorities was almost two-and-a-half times as high as that for whites; in 1984 it was not even twice as high. According to Swansea Universi-

ty's David Blackaby, and his coleagues, it is the changing trends in unemployment rather than earnings which are central\*. This is because the blacks who lost their jobs in the 1980s had better earnings prospects than the whites who lost theirs: "It was the declining employment prospects of blacks that exacerbated the ethnic wage gap, rather than anything else".

Identifying the source of ethnic differences in labour market performance is no easy task. A typical approach is to look at the difference between black and white earnings levels and to work out to what extent they can be explained by differences in such factors as age, education, work experience, job description and type of employer. Any residual wage gap is assumed to be the result of "discrimination".

Nobel prizewinner Kenneth Arrow defined discrimination in this sense as "the valuation in the marketplace of personal characteristics of the worker that are unrelated to productivity". The major flaw with this approach - aside from the inevitable measurement difficulties - is that discrimination may also play an important part in determining people's productivity: perhaps by affecting their access to educational opportunities.

The analysis is further confused by the fact that differences between the circumstances of the various minority communities can be bigger than the difference between the ethnic minorities as a whole and the white population.

Ethnic minorities in the UK labour market Unemployment rates of people aged 16 or over by ethnic group (%) 

Nonetheless, it is clear from every- retical ideal. day experience that discrimination remains a pervasive influence. So what could or should be done?

Imagine that a racist employer would not take on ethnic minority workers because he believed them lazier, less intelligent or less dependable than their white counterparts. In the looking-glass world of simplistic economic theory, these attitudes would receive their just deserts. Enlightened employers would attract the best ethnic minority candidates, boosting their productivity and allowing them to undercut racist employers and drive them out of the market.

Howard Davies, the deputy governor of the Bank of England, therefore concluded in a recent speech to the Equal Opportunities Commission that one policy response should be to take a tougher attitude to monopolies, thereby edging the economy closer to the perfectly competitive theo-

is difficult to prove when it is taking place. From a libertarian per-spective, one might also argue that thinking people that employers, co-workers and customers should discriminate against ethnic minorities - that is not sufficient reason to legislate against it if it falls short of an incitement to racial hatred. The best way to tackle racial dis-

advantage in the labour market may therefore be to concentrate on areas like education. Studies in the US have traditionally concluded that between 30 and 50 per cent of the black white wage gap there is the result of discrimination. But Derek Neal of Chicago University and William Johnson of Virginia University argued last year that most of this residual in fact reflects a skill gap which can in turn be traced, at least in part, to observable differences in the family backgrounds and school environments of black and white children\*\*.

individual productivity also makes it problematic simply to legislate against discrimination, because it

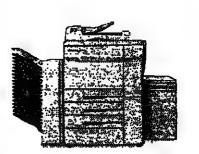
In Britain the proportion of 16-24-year-olds from ethnic minorities in full-time education is already more than half as high again as the proportion of whites. Pressing home this advantage would probably be a more effective policy response than relying on competitive pressures or legalistic regulation.

\*The Changing Distribution of Black and White Earnings and the Ethnic Wage Gap: Evidence for Britain, by D Blackaby et al, University of Wales, Swansea.

\*\*The Role of Pre-market Factors

in Black-White Wage Differences, by D Neal and W Johnson, NBER

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Fel-Pro's roster of generous benefits - they cost about 70 cents per hour per employee - won it a featured role at a recent White House conference on "corporate citizen-

ship".
Presided over by President Bill Clinton the conference was the culmination of an intense administration debate about how much government should push business to help address the needs of society. Can tax incentives and legislation serve a useful purpose, or is verbal cajolement the only acceptable

approach?
With a hostile Republican Congress certain to scorn any of the president's interventionist instincts, Clinton has opted for using the White House as a "bully pulpit" to preach corporate values.

"I believe the power of example to change the behaviour of Americans is enormous," he told conference participants. "What I want to see us do is to elevate the good practices that are going on, show how they are consistent with making money and succeeding in the free enterprise system, and hope that we can reinforce the kind of conduct that so many of you have brought to bear in your own companies

The issue of corporate citizenship and how much responsibility companies should take to cure social ills - is increasingly preoccupying governments worldwide. In the US - where presidential hopeful the US - where presidential hopeful Pat Buchanan raised the political ante in February's New Hampshire Republican primary with his attacks on "downsizing" - there has long been ambivalence about the role of corporations in society.

A recent Business Week poll. however, found that 95 per cent of responsibilities to their employees and their communities which goes beyond making profits.

The notion that businesses have formal social responsibilities in addition to their contractual ones to employees and shareholders has spread rapidly through the US and Britain over the rest of Europe have tended to remain resistant to the idea that they should become more directly

involved in the community. Most continental countries have historically had both more generous social welfare provisions and little tradition of corporate charitable involvement.

Now, however, spurred by the spectre of growing "social exclusion" this may be starting to change. With 18m unemployed and

The White House is preaching the message that social responsibility is good for business, writes Nancy Dunne

## Portrait of an American dilemma



Clinton first signalled his intention making corporate citizenship a political issue in his January 1996 State of the Union address, calling on employers to provide skills trainng for their workers and "share the benefits of the good years as well as the burdens of the bad ones". His exhortations were generally well received, but his economic advisers were divided over the way ahead whether business should be forced

to act responsively, lured by tax incentives or simply cajoled. This internal debate – which has pitted US Lebour Secretary Robert Reich against Treasury Secretary Robert Rubin - has been in the hands of Laura D'Andrea Tyson. head of the White House's National

Reich, the administration's social conscience, has been speaking out dle class and the failure of wage growth to match the growth of cor-

Writing in the New York Times, it was he who first proposed tax incentives to encourage companies to keep workers on their payrolls, to upgrade skills and share more profits with their employees. Congressional Democrats went further still. Senator Edward Kennedy of Massachusetts, for instance, proposed expanding anti-trust laws to bar mergers which would harm munities and workers, broaden labour laws to protect temporary workers and bar government contracts to companies which repeatedly violate their workers'

These proposals caused some con-cern within the administration. Officials such as Rubin and the late

tary, had helped make the administration the most pro-business Democratic White House in decades. Deficit reduction was an early priority, as was creating moderate growth with little inflation and more sensible regulation - aims which could have been threatened by the Reich

approach.

This is not to-say that the administration has been completely lais-

One of the president's first acts was to sign legislation requiring companies to give workers time off after the birth of children or to care for sick family members, and he has been advocating a rise in the minimum wage. Tyson has played a crucial role in

resolving the corporate responsibility issue. She agreed with Reich ment, companies should be encouraged to provide job retraining and education. But she was concerned about the efficiency of using tax handouts as a carrot.

Within the NEC Rubin express concern about the budget cost of such breaks and warned against pushing companies into providing nefits that they could not afford.

Meanwhile, Tyson received two reports about public sentiment from focus groups, one run by business and one by labour. Both agreed with Reich that the social contract between business and its workers had been falling apart under the

Tyson found that companies had less room for manoeuvre in the competitive global environment. They have been less forthcoming on wages and pension, and the

To make business initiatives and their requirements in this field more visible towards the

Translating these general aims To that end, the network will

policymakers and social actors

said. However, she also met corpo-rate executives disturbed about-worker anxiety and prepared to act themselves. Some were initiating "no layoff" policies. Others weremaking strenuous efforts to adapt to the world of two working parent families, offering flexible hours, child care and jobs worked from

Tyson commissioned a new study about the effects of downstring. Its results were surprising. Most of the recent new jobs created were in categories earning above-median wages. Even the lower paying service industry jobs being created were mostly managerial and profes-sional positions. Although more white-collar workers had lost jobs than in the past most of the displacement remained among younger, blue-collar, less-educated

This study led Tyson and ultimately the president to the conclusion that the economy was begin-ning to create enough good jobs to help counter worker anxiety. What remained was for the government to devise policies to help workers deal with the breakneck pace of eco-

nomic change.

The administration endorsed rather narrow proposals to protect pension and health insurance when workers leave their jobs, it proposed an income tax credit for small businesses if they provided tuition assistance for the workers. It also decided that, instead of giving large tax credits to corporations, the pro-posed tax credits should go to individuals to help them pay for higher education and skills training. Since the Republican Congress is almost certain not to pass any Clinton initiatives, these proposals are more political markers for the November alection.

The NEC proposed that companies voluntarily adopt five princi-ples of good corporate citizenship: providing "family friendly" work-places, which recognise the need for flexible work schedules; health care and pension benefits; safe and healthy work environments; invest ment in employee education and training and giving employees more

voice in the workplace.
Will sales pitches on the value of corporate accountability produce results? Kenneth Lehman, the co-CEO of Fel-Pro, says companies like

The case has to be made convincingly and then well publicised that companies which have harmonious relationships with their work-ers simply do better than those

helping small business start-ups or improving vocational training and then disseminating the results. According to Brian Wright, chief executive of the London Enterprise

Agency, one of eight business enterprise agencies which will be co-ordinating the project in different countries, the network's main aim will be to spread best practice in such areas as widely as

"Besically it's going to give people a chance to see what. companies in other countries are trying to do and do it themselves." "I think it's going to be a very

positive and successful project. Mark Suzman

# DEALING WITH DISABILITY

## Multiple sclerosis

I wenty four years ago Peter Patching, who was then a carpender, was diagnosed as finving multiple scierosis, a chronic condition of the central hervots system. He voluntarily gave up his job

heranse it kevelved considerable physical effort. But Patching, who describes himself as somebody who does not give up re-trained in cierical skills and for the past 22 years he has worked for Monk Dunstone Associates, the second largest quantity surveyor in the world. Peter Patching was hired on merit for a position we had available in technical support." says Richard Houghton, managing director of MDA (UK). \*Patching is a fortunate man to people with MS in the UK and gh the Multiple Scierosis Society has no figures on their employment status it says it

believes many face prejudice in the workplace Surah Hodgkinson, who is carrying out research for the carrying out research for the carry; says that many employers hight be reluctant to recruit someone who admitted tectsul someone who admitted having MS— although the society advises disclosure on Job

apprecions.

Per people already in work
the people already in work
the pays that in her experience
compleyers, when told by an
employee that he or she has MS,
fear that they will swiftly
herome mermilosable. "All ton often they offer early retirement or else mandenyre the more mandenyre the

But the majority of employers, she says, have little information about the disease and the effect it can have on an individual's ability to do a job.

The course of MS is very difficult to predict. The popular stereotype is that people with MS are in wheelchairs but that is only the case for about one fifth of people. The common pattern is that people have an ettack and then often go line remission for considerable periods of time."

New leaflets, about to be

produced by the society, advise both employers and employees

to avoid making hasty decisions. "In many cases it takes very little to make it possible for a person with MS, who may be in the prime of their working life, to continue to work," she says. have mobility problems and companies are advised that handrails might be useful in areas with steep gradients. Often people with MS need to visit the lavatory regularly so giving them the opportunity to tif near one can make a hadividual's confidence Individuals, she save, may beurs adjusted so that travelling in peak time can be avoided. Houghton says that much of his company's approach towards employing people with disabilities, including another man with MS, stems from a trainer technical assistant who became partially signted many years ago. "We worked with Roy Smith to develop a career path for him and he is now our office manager. Roy in a sense has

Patching says: "If a company gives a disabled person a chance they will find that individual will repay them, to the pest of his ability. "Just because I am in a

wheelchair does not mean I do not have a brain."

Lisa Wood

医乳腺 化二甲烷基

## Europe gets 'inclusive

throughout the EU, companies

increasingly recognise the financial burden this represents for husiness. To combat the problem, a number of top European firms ranging from Bayer AG to Philips International to British Telecom are panding together in a new organisation, the European Business Network for Social Cohesion, which will be launched at the end of this month

in London. The network, which will focus particularly on job creation through investment in training and economic regeneration projects, is

being formed to encourage companies throughout the EU to take the issue of corporate involvement in the community eriously.

Successful examples of such projects already abound.
In the Netherlands, for example. ING, the bank, has worked through two foundations with Philips and Shell respectively, to provide counselling and access to resources

for around 20 small businesses Similarly, in Portugal, the Mello

worked with other public and private organisations to establish a rosinam innovation centre outside Lisbon which has already helped more than 2,500 small companies The new network will be partially funded by the European

Its primary objectives will To inform companies and

financial institutions of the social exclusion.

dimensions, causes and effects of

promote social and economic

into action will initially be done by investigating initiatives such as the Dutch and Portuguese ones which are already carried out by different companies across the Continent.

embark on a series of studies to identify the most succ

### Group, the ship repairing company, contributions in a joint effort to 53m living below the poverty line Lack of humour in message of fun

ave you got a worrying meeting today? Put on a pair of boxer shorts with red hearts on them or wear a lacy bra. It will remind you that things are not as serious as

If that does not appeal, try this: find a photo of yourself as a baby and bring it into the office. Get everyone else at work to do the same. Then you can have a great time working out who is who. These tips come courtesy of Matt Weinstein, who has just written a book called *Managing to Have Fun*. For every week of the year he offers a different suggestion for how to bring fun and laughter into the workplace. According to the glowing tributes by management experts on the back cover (Tom Peters featuring vet again, plus Stephen Covey et al) the book is a "must read" for every manager who wants to boost

The fun message is all the rage. Weinstein's is the fourth book on the subject I have been sent this

year, each of which has come with a list of blue-chip corporations that are apparently introducing compulsory fun programmes.

It is not hard to see why fun is selling. Work has never been more grim (long hours, insecurity, mass redundancies etc) or more stressful. If people enjoy their jobs they work better, we all know that.

So if a way can be found to make work fun, so much the better. And if all it takes is a pair of cheeky boxers to boost motivation, then it is not surprising if managers are queuing up to buy these books. Fun is free, and a free way of improving productivity sounds too good to be true. Unfortunately it is too good to be true.

For a start most of us do not share Weinstein's sense of humour. The day that senior staff at the Financial Times start bringing in nhotos of themselves in nappies will be a sad, not to say embarrassing,



**Lucy Kellaway** 

even if it were I doubt it would do strated publicly that it does not much for morale. Unfortunately most of the things that make a realdifference to productivity are neither simple nor free. Recognition, stimulating work, congenial colleagues and managers, good pay and conditions, that is what we all

Levi Strauss understands this well Last week it decided to give everyone in the organisation a year's extra money, six years from now - provided that the company

view its financial success as being down solely to a few fat cats. I suspect that in the long run the move will make good business sense, and as a private company Levi Strauss can afford to take the gamble. Yet in the present climate for quoted companies anything that means spending more on the payroll (even six years out) seems less likely to catch on than silly boxer shorts.

one for the newspaper.

In terms of motivation this A German department store at midsounds more like it. By including day on Saturday resembles nothing agement can introduce by force, but everyone, the company has demonstrated in the company has demonstr

time. Fanatical shoppers desper- touch each other's noses." ately making as many purchases as

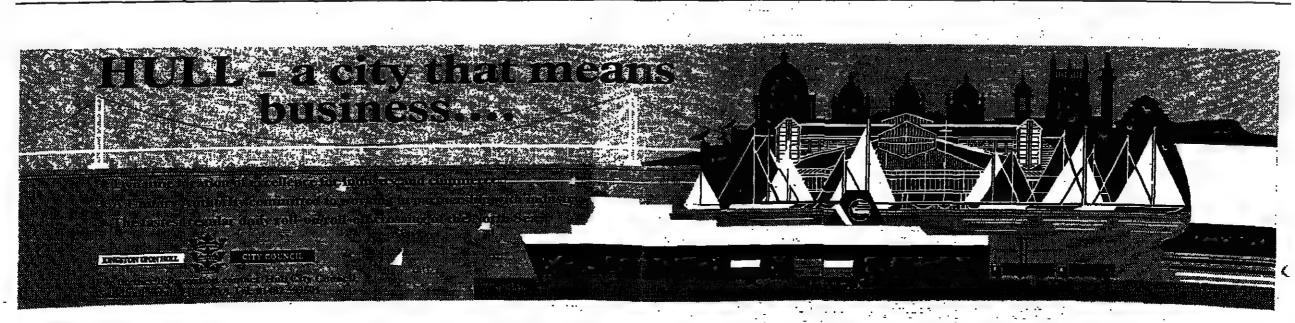
The reason I am repeating all this they can before the shops shut for guff is that I have found it in the the weekend. They do not just stock up on sausage and cabbage, they panic buy everything from shoes to sofas. What will happen to these shoppers once the government passes a law which allows them to spend the whole day at their favourite pastime? Will they, as the economists suggest, respond by buying 2 to 3 per cent more a year? I suspect they will do what British drinkers would surely do if allowed to drink all night - consume more slowly and more moderately.

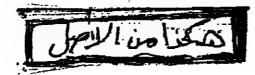
"Culture is a game that knows no bounds. Its messages are nomads who rove far and wide, travelling without a destination. Proximity generates diversity: the further the world shrinks, the greater becomes its need for heterogeneity."

"When people meet they greet.

most unlikely of places: among this year's European annual reports. The first quote comes from the German fashion company Hugo Boss and the second from a new company called Origin, a merger en Philips C&P and BSO/Origin. Both reports weigh more than a telephone directory, come in nonstandard sizes and are made out of plastic and metal. Annual reports are important doc-

uments. If they look attractive and eye catching they are more likely to be read. If they can convey the character of the company as well as the figures then that is a bonus. Yet being eye catching only works if what you have to say is sensible; the less attention drawn to Origin's "kaleidoscope of symbols and rituals" the better. I can't help feeling nostalgia for the days when the annual report was a set of numbers with a terse chairman's statement





## Regal ambitions at Duke

ex Adams is a dean who means business. This month he took up his new job as the fourth dean at the Fuqua School of Business at Duke University, in North Carolina, after 30 years in the oil business. And he brings with him ambitious plans.

He intends to increase the number of faculty at Fuqua by 50 per cent over the next five years, from the present figure of 65 to a minimum of 84 and even up to 90. "The trick, of course, is to finance it," he concedes. Fuqua is "relatively under-endowed and under-capitalised," according to Adams. "We simply have to get a greater capital base behind us".

He believes Fuqua can teach its way to growth, financing expansion by selling courses rather than relying on endowments, the traditional business school route for raising funds.

The problem for Fugua is that because the school is relatively young, the alumni are young too. So, however philanthropic they may be by temperament, they simply have not climbed high enough up the cor-porate or entrepreneurial ladder to fund endowments.

Courses, on the other hand, bring in instant revenue. This month saw the start of Fuqua's first global executive 45 students pay \$75,000 (£49,000) to participate - a total of nearly \$3.4m. endowments to bring in such a sum.



Rex Adams, dean at the Fuqua school of business, intends to expand the faculty at the school by 50 per cent in five years

With the money Adams plans to buy in some staff but also bring on younger academics. He acknowle this is "enormously ambitious" "there is enormous competi-

tion for the people we want".

New faculty and old will see a change in the focus of teaching at Duke under Adams. He is adamant that quality research will continue. "We can't teach what we don't know," he says. "We need recognised faculty

of sufficient breadth and depth. (Iltimately it is the quality of the ch, that is what counts

He intends to alter the balance of courses by freezing the size of the daytime MBA programme expanding executive courses, both executive MBAs and shorter courses. The expressions he uses most fre quently to describe his plans for the school and its courses are "relevant" and "applicable" to busine

Adams admits that while the ton faculty are all happy with the plan, some more junior faculty remain to be convinced. But he believes such a course will enhance the research base of the school, rather than diminishing it. "I certainly hope that as our fac-ulty engages with corporations across corporate issues it will prompt and spark research," he says. Hand in hand with that he believes research is still needed in the more traditional

Towards the end of his career at Mobil, Adams became president of employee relations, a position he feels will stand him in good stead as an ambassador for the school. As he points out, the ultimate customer for courses is often the person in the human resource department.

More broadly, he thinks a career in business will prove valuable in his new job. "I feel very comfortable in approaching corporate clients," he says. "A corporate background is extremely helpful in giving the ability to understand the world of the corporation you are talking to." Adams is not the first businessman

to be appointed dean in the new commercially orientated world of US business schools - Wharton and Darden have already crossed this boundary. Adams believes business schools are now more open to such a proposition and there is no problem in finding a business person who wants the job.

The problem is less with the concept than finding people with enough knowledge of the academic world." As a businessman Adams has already endowed his own scholarship at Fuqua. As a coal miner's son from West Virginia - "as somebody who grew up as dirt poor and ignorant" he chose to tie his endowment to minority students. "I personally think there is an enormous need in this in positions of leadership."

## Top spot is not an end in itself

Della Bradshaw looks at distance learning for directors But although the diploma is

Britain's top dogs may be returning to the classroom in increasing numbers, but most company directors are unlikely to invest in retrain-

ing once they hit the top spot. The theory that there is no more to learn once you have earned your seat on the board is viewed with increasing scepticism in both business and academic cir.

Many directors "Out-of-date knowledge is still find it difficult people and dangerous," to allocate enough keeping cussays John time to go on Harper, professional develop-. courses

ment director at the Institute of Directors and director of the IOD's Centre for Director

The centre is expanding its range of courses designed for directors, including non-mem-bers of the IOD. It presently offers a range of two-day courses of which directors have to complete eight (seven obligatory plus an optional one) over a two-year period. This qualifies them for the diploma which can act as the first stage of a masters degree in company direction.

enough time to go on courses. So, on July 4, the centre is launching four distance learning packages under the title iness Direction". The courses will cover topics such as stratmotivating finding and

"popular because of the way it

is structured," according to

Harper, many directors still

find it difficult to allocate

be available either in book form or on a

~#<u>~</u>5

PC disc. Harper argues that ing is inadequate for those taking up board-level appointments. Training for directors should focus more on strategic issues, he says, where a director's strengths should lie.

Last year some 2,500 direc tors studied on 3,500 courses at the centre, which is the biggest training organisation for directors in the UK. But with 500,000 company directors working in the UK, that is just

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## Spot the Balkan banker

Keith Wheatley finds football in eastern Europe to be an entirely serious business



in Group B of the European soccer finals. Speaking of his friend and opponent Hristo Stoichkov, he said: "Both of us are playing for our country's future." His remark was histrionic, perhaps, but it contained more than a grain of

Commentators lamented that only 19,107 spectators turned up at St James's Park in Newcastle to watch Bulgaria play Romania. Darkly, they hinted at massaged figures. Frankly, it seems extraordinary that even that many Tynesiders could have been tempted from their homes and gardens to watch Bulgaria as Romania in a Danube derby.

In fact, most of those 19.107 may well have been dedicated partisans who made the long coach journey across central Europe in ancient vehicles belching smoke to cheer on their

From a Balkan perspective, the stakes in this mid-summer football competition are huge. The British may amuse themselves watching England's coach, Terry Venables, trying to handle criticism of the England team, though Venables' burden was lightened by his team's 2-0 win against Scotland in Lon-

don on Saturday. In eastern Europe, however, football is an entirely serious matter. Indeed, Danish referee Peter Mikkelsen might have been the target of a lynch mol had he appeared on the streets of Bucharest the morning after failing to spot that a shot by Dorinel Munteanu had clearly landed over the Bulgarian goalline after striking the underside of the cross-bar, because the disallowed goal effectively put Romania out of Euro 96.

Hagi ran straight to the linesman to protest the decision, but to no avail. His self-control was admirable when one considers that a good deal more than self-esteem was involved. Back in the days of the Soviet empire, it was accepted within eastern Europe that successful international athletes were. along with politicians, virtually the only people able to live as prosperous and relatively free individuals.

However, in the transitional societies these countries have become, sports stars possesa extraordinary commercial and political influence. Hagi, who was signed by Barcelona in the aftermath of a sparkling performance at the World Cup finals in the US two years ago, owns one of the few private dental prac-



Yesterday's action: Russia's Yuri Kovtun, left, and Viktor Onopko, right, compete against Germany's Oliver Bierhoff

tices in Bucharest. That makes him a successful small businessman, but If he was home in time to vote in yesterday's mayoral election, Hagi may have been in the mood to contemplate might-have-beens. llie Nastase, 50, should learn in the next few hours whether he has been successful in his attempt to make the translation from middle-aged former tennis

star to political heavyweight. In the first round of the mayoral poll, Nastase, who has allied himself to the ruling Party of Social Democracy, came second in a field of 47. On the other hand, perhaps Nastase's old friend and doubles partner, Ion Tiriac, could give him a job. Barely had the brief "Roma-nian revolution" ended before he had formed the Bank Ion Thriac.

Contemplating the equivalent in England - Bank Paul Gascolgne hardly makes sense at all, despite Gas-coigne's memorable goal at Wembley against Scotland. Bank Ion Tiriac, on the other hand, is an entirely serious matter. "It has a reliable and good image. There has been no scandal attached to this bank and that is unusual in my country," says Romanian economist Irina Dumitriu. Will things turn out equally well for Tiriac's former partner, who often exasperated him on court?

"Nastase's success in tennis was based on his talent with a ball, not on his brain," explains Dumitriu. "Tiriac was always more cerebral and could use that when he came to make a career in business." En route to her office after Romania's match against Bulgaria, she had seen angry groups of fans gathered in noisy aimless bunches, but believed, in any case, that the earlier defeat by France had largely deflated Romania's hopes for Euro 96. She says: "Romanians are famous for giving up easily. Nastase is now our big

Hristo Stoichkov was the player who made the difference for Bulgaria and sealed Romania's fats. Gathering the ball just beyond the halfway line, the tempestuous forward gathered momentum on a long run that brushed aside two defenders before blasting a goal from just inside the penalty area. Stoichkov, who is another of eastern Europe's football diaspora - he cur-rently plays for Parma in Italy's Seris A

is so popular at home that in Sofia there is a weekly newspaper devoted entirely to him. After the Newcastle game, the coverage can only have been favourable, which in turn may help with the ticklish job of persuading Bulgaria's central bank to issue a licence for the Natzional Bank that Stoichkov has established with team-mates Emil Kostadinov and Trifon Ivanov.

Even in a football-crazy country that regarded its unexpected fourth-place finish in the World Cup two years ago as the biggest event of the 20th century, and with a principal (Stoichkov) who scored in seven of Bulgaria's 10 qualify-ing games for Euro 96, starting a bank in Sophia is still a fairly serious busi-

Yet with the help of his partner, Emil Harsey, who just happens to be a former deputy governor of the Bulgarian national bank, the example of Ion Tiriac and a good run through the final rounds of the current European finals, one could yet see Hristo Stoichkov as chief cashier. After Stoichkov's goal at St James's Park, I thought I heard unhappy Romanian fans shouting that

TODAY

## Quietly building on the legacy of a modernist master

The towering presence of Sir James Stirling still inspires the work of his partner, but Michael Wilford's own stamp is clear, writes Colin Amery

partners try to carry on with his work as though nothing has happened, things can, to say the least, get difficult. Sir James Strling died suddenly in 1992, aged only 64. Something went wrong after relatively minor

surgery and he was gone.
While his family mourned, his practice had
to continue. It had reached a point where his fame had put the firm close to the top of the international tree. Stirling was a highly original designer, and he combined his talents for nsional creativity with a dominating personality. Apart from his large physical presence he had a creative drive that gave his wildings real character.

It is too early to assess his influence fully, and the authorised critical biography by Mark Ghrouard now in preparation is awaited with enormous interesi

It was Girouard who first compared Stirling to the great Victorian eccentric architect William Butterfield. Certainly Stirling share Bufferfield's sense of muscular and colourful form-making, and both designed buildings that firmly impress themselves on the mem-ory. Butterfield's Keble College chapel in Oxford and the great drum of Stirling's art gallery in Stuttgart are not easily forgotte

However, no architect works entirely alone and for 32 years Stirling worked closely with were actually pariners for 21 years, workin steadily as the perfect team despite Stirling's sometimes overwhelming personality. Wilford seemed to be the quiet one, the one

who turned the visions of the master into There is a chance to see how far title as

ment is true in an important exhibition at the Royal Institute of British Architects, entitled Wilford Stirling Wilford. How far is this a Stirling exhibition and how for a Wilford exhibition?

There are 10 projects on view. Four of them, the Stuttgart music school, the science library at Irvine, California, the development at No 1, Poultry, in the City of London, and, to a lesser extent, the Temasek polytechnic in Singapore, are clearly the work of the master.

What is impressive is that the six other schemes, all developed since 1992, are designed purely by Michael Wilford and Part-

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outpeting with the dead is difficult.

When a famous architect dies and his weight of Stirling's name. Stirling still weight of Stirling's name. Stirling still inspires and it is a mark of respect for his memory to continue to use his name, but the flame has been passed on.

There is a sound-guide to the exhibition. and if you have time I recommend it. Wil-ford's soothing voice slowly guides you into his thinking as you contemplate the models and drawings.

Stirling's great skill was to carve space out of solid forms and to relate those new spaces to their surroundings, Wilford doesn't talk, as Stirling would have done, about the timeless qualities of architecture or the emotive nature of simple geometric forms. Indeed, Wilford's evolution of Stirling's ideas cannot have the originality of those of the man himself. Instead, the later buildings return much more to the older modernist ideas of "form follow-

I he design for the controversial building at No 1, Poultry, which is at present taking shape, goes back to 1985 and it is bound to be seen as the destroyer of much of the City's conservation area. When it is finished I think it will look dated and be seen as much too big for its small site and elephan-tine in its detail.

In contrast, the new British embassy in Berlin, which Wilford won in a design competition in 1994, has a generous site on the Wilhelmstrasse. The embassy and consulate are built round courtyards, one of them planted with a symbolic oak tree.

There is considerable formality in the plan, and guests will climb a fine grand staircase to arrive at a large indoor winter garden. The scheme resembles a small town palace in Paris and, while less intense than a Stirling building, has a simple dignity appropriate to

One thing I cannot imagine Britain's indulged Foreign Office mandarins much lik-ing is the fact they will be overlooked by the staff while they entertain on the main floor. I anticipate much closing of blinds to ensure that these denizers maintain their beloved sense of secrecy.

Wilford Stirling Wilford, at the RIBA Architecture Centre, 66 Portland Place, London WI, until August 3. Open until 9pm on Tuesdays

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Street, E.C., 12:00 Scottish Mortgage and Trust, 1 Rutiand Court, Edinburgh, Quality Care Homes Stingsby (HC), The Victoria Hotel, Bridge Street, Bradford, West Yorkshire, 10.30 Yule Catto, 23 Great Winchester Street, E.C., 12.00 BOARD MEETINGS: Finals: Angliza Grp.

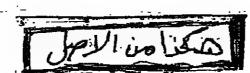
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### Tim Jackson

## Europe the loser as jitters put start-ups out in the cold

bull market in technology shares, it might seem strange to discover that European venture capitalists are less keen on technology than they were a decade ago. Yet such is the case. According to a recent paper by Dr Gordon Murray

of Warwick Business School, British venture capitalists invested only 12 per cent of their funds in technology businesses in 1993, compared with 33 per cent in 1984. The same phenomenon is evident across Europe.

Asked to explain this trend, an conomist might suggest that Europe's comparative advantage has moved away from technology and away from start-ups. One study showed that start-up and earlystage investments during the 1980s produced an internal rate of return of only 4 per cent a year, compared with 23 per cent for larger buy-out

After two years of funds. But Dr Murray argues that never heard one of them mention panies are much harder to deal the real reason for the dron in public subsidy as an incentive to with on the eastern side of the investment in new high-technology businesses is what he calls an "innovation trap"; an infrastructural problem that stifles these businesses that are so valuable in a healthy economy.

Several governments across Europe have subsidy programmes for high-tech investment, with catchy acronyms such as Sofaris, Smart or Spur, says Dr Murray. But he bemoans the lack of a Europewide subsidy programme as an "omission of profound strategic importance to Europe's future com-

I believe this view is wrong, and that the paper both misdiagnoses the problem and prescribes the wrong solution. To start with, lack of subsidy is probably the least important reason for the shortage of venture capital funding. During recent months I have spoken at length to half a dozen venture capitalists in California's silicon valley, where the industry is centred, and

invest.

In any case, most technology industries are moving so fast that the extra bureaucracy entailed would have an unacceptable timecost. Since the European Commission can take a year simply to process the paperwork necessary to hire someone, it is hard to believe that any start-up with good prospects would wish to waste a year or more of meetings and memos in order to obtain subsidies. If it did, the opportunity it hoped to take advantage of might well have evaporated by the time the money came

The shortage of technology start-ups in Europe probably has more to do with an inhospitable small-business environment. High non-wage costs, restrictive employment laws and red tape all take their toll, as does the conservatism of the European business establishment. Banks, lawyers, head-hunters, landlords and equipment leasing comAtlantic, and more insistent on up-

In silicon valley, an ocean and then a continent away, these professionals are willing to take payment from start-ups in the form of equity; consequently, Californian entrepreneurs are able to polish off in a few hours tasks that might take their European equivalents weeks. This matters, because it allows the US start-up to spend more of its intellectual and emotional reserves on the central task of developing and marketing a new

the unwillingness of backers to take seriously people who went to the wrong university, or who have the wrong accent. A tiny but interesting symptom of the European prejudice can be seen in Dr Murray's paper itself. In three out of four photographs featuring people, the only identifiable figures ital firms be willing to deal with a scruffy teenager with a great idea for a new computer game? They would all doubtless say yes, but I do not believe them.

European venture capitalists also have a profound and unhelpful ignorance of technology. Dr Murray quotes one as saying, albeit jokingly: "If it has a plug or coloured wires, we won't touch it." No subsidy will overcome such prejudice. What is required is a Californian standard of technological expertise, where many VCs have experience in high-tech businesses themselves and are often the best informed further problem in Europe is people on the sector as a whole.

So what should governments do to help solve the problem? I believe the answer is nothing - because a technological change is taking place that will bring US professionalism, and US money, to Europe. Until now, most venture capitalists have confined their attention to local businesses, because they

versations with the fledgling entrepreneurs they have backed. Arthur Rock a famous venture

capitalist who backed both Apple and Intel, used to make it a rule only to invest in companies he could drive to from his San Francisco office. With the arrival of e-mail, low-cost video-conferencing and Internet telephony, all this has changed. An investment in Scotland can be as easily managed as one in San Jose. And being far from silicon valley can have advantages for a start-up entering the US market, such as a supply of skilled, cheap, immobile labour.

I am not the only one to see potential for US venture capitalists in Europe. This morning, a two-day conference on European venture capital opens at London's Inter-Continental Hotel, organised by The Red Herring, a US technology business magazine named after the draft prospectus that traditionally precedes an initial public offering

are middle-aged white men in suits. know they need to be available for in the US. Tony Perkins, the maga-Would most European venture cap-frequent meetings and phone conzine's editor, is also considering launching a European venture capital fund for US investors. The paradox is that Britain's tax regime already appears to be more favourable than that of the US to individual investment in first-stage venture capital.

When I met Perkins a few weeks ago, he expressed astonishment at the generosity of the concessions offered by the UK tax authorities to investors in venture capital trusts (VCTs): 20 per cent basic tax relief on investment; freedom from all income and capital gains tax on the investment if it is held for five years; and a "rollover" allowing people who are investing with the profits of an earlier venture to postpone payment of CGT until the VCT fund matures. Yet fund managers in Britain have launched a number of VCTs that explicitly eschew start-ups, if nobody else starts a VCT fund specialising in technology, I'll do it myself. tim.jackson@pobox.com

## View from the cybercouch

They need a wash and brush up, but cybersoaps are a key indicator of the future for on-demand entertainment. By Victoria Griffith

he lead in to cyberserial Techno 8 is not very promising. According to the plot summary, Techno 3 is a cyberversion of US television soap Charlie's Angels, in which the lives of three lovely ladies are controlled by a diabolical

Photographs of sexy women. accompany the text, which includes passages like this: "Marie gently tugs down her black mini-skirt that has ridden up her smooth and well-toned legs. Her fingers begin to race anew across the keyboard at frightening speed as she mum-bles to herself in a soft and sultry voice: I hope I'm not to (slc)

Yet from such humble beginnings, say analysts, cyberspace producers may be planting the seeds of a new on-demand entertainment form that could eventually rival television.

Techno 3 is one of a growing number of episodic narratives available in cyberspace. Sometimes called cybersoaps after TV scap operss, the stories are ur sted once or twice a week and are drawing growing num-

Dozens of cyberspace serials have cropped up on the internet during the last 12 months, their titles sounding like those of TV shows: Kapow, Ferndale, The East Village and The Spot. So far, viewership is limited. Even the most popular attract no more than a few thousand viewers a day compared to the millions who tune into the most-watched TV shows.

indeed, if judged purely on the way they are presented just now, it is hard to believe

that cybersoaps could become significant 21st-century entertainment platforms. Because downloading video is still too time- and memory-consuming for most home computers, the present generation of cybersoaps is largely text-based and spiced up with a few photographs and graphics. And the quality is often poor, episodes of Techno 8 are littered with grammatical errors, and even

the best, such as The Spot and

Kapow, exude cheapness. "Cybersoaps in some ways present the worst of both worlds," says William Bass, an analyst at Forrester Research, the technology research and consulting group. "You get the mindlessness of many TV pro-grammes without the watchsbility, and you get text without the portability of a book."

Yet observers believe that a huge industry for interactive video-on-demand may spring up throughout cyberspace. "A lot of people have been forecasting that video-on-demand will be coming through the computer rather than TV," says Stanley LePsak, a multimedia analyst at Metagroup. "This may be the first indica

tion of how that would work." Even in their present primitive state, cyberserials offer some advantages over TV. The scaps are set up to be interactive, so viewers say they feel more a part of the action. Record & viewers can enter live chat-rooms to talk about the show to other readers. The Scrolling Mystery Theatre allows them to e-mail its characters, and the writers of other

cybersoaps ask fans to a-mail

"I like to feel that I'm a part of what goes on in the story," says Tyler Morrett, a software engineer and cybersoap fan. "That's why I prefer them to television.

Cyberserials are viewed ondemand, which may be the key to their future success. Episodes can be seen in any order, at any time, unlike television, which still subjects fans to inflexible broadcasting sched-

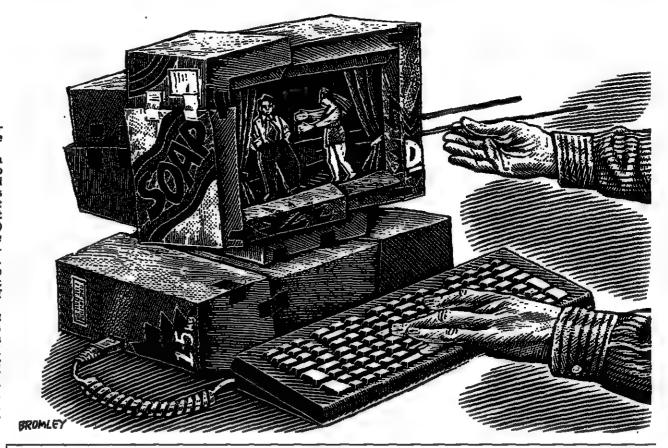
Producers and writers also revel in what they say is a free-wheeling style not available on TV. "I love writing for the Net because it comes out more the way I plan it," says Rockne O'Barren, creator of cyberserial Eon-4 and an experienced TV writer. "You don't have to go through the producer and network and endure the changes everyone makes to your work." O'Barren says he also enjoys the instant feedback he gets from the online audience. My e-mail is always filled with suggestions from fans, and sometimes that gets me thinking," he says. .

ndeed, the immediate feedback cybersoaps generate, And their relatively low production costs, may in the short term turn the Internet into a testing ground for TV shows, says Kay Dangaard, vice-president of cyberserial producer American Cybercast, a joint venture between Intel, Tele-Communications Inc. Hollywood talent agency Creative Artists Agency and US advertising agency Fattal & Collins. 'I can see producers testing an ning the concept on TV," she

if cybersoans are to thrive in the long run, they will need to attract more advertising. Until now, creators of the new shows have chalked up nothing but losses. American Cybercast says it costs \$100,000 (£65,300) per month to produce The Spot, a sum advertising revenues have failed to cover. "We've been in the red up to now, but we hope to start breaking even by the middle of

next year," says Dangaard. The amount of advertising associated with cyberserials is still tiny, but a few companies - K Swiss trainers, Honda and Columbia Pictures among them - are hawking their wares on the sites. And advertising agencies believe the sec-tor will grow. "There's cer-tainly potential here," says Tig Tillinghast, director of agency J Walter Thompson's interactive arm. Tillinghast believes the next round of cybersoaps may incorporate advertising more integrally into storylines. How quickly - or, indeed,

whether - cyberserials can start turning a profit is uncer-tain. Until the sites become more video-based, audiences will probably continue to be small. Yet analysis believe it is a medium to watch. "I think this is the kind of thing the Web needs to add vibrancy to the content," save LePeak of Metagroup. "Most people visit sites just once because the sites are static. But this gives you a reason to tune in once or twice a week. In that way, it's



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### The future isn't what it was at the same time." In addition

Technology's dominance of convergence in the entertainment, media and communications (EMC) industries is crumbling, and consumer demand is asserting itself as the real force in the market, according to a new study by the Price Waterhouse EMC Consulting group.

Suggestions that the converging sectors will coalesce Grough mergers into vertically integrated content-andtechnology corporations are also losing credibility.

More likely in the immediate future is a shake-out of the 'organised chaos" that rules in multimedia, according to the Price Waterhouse review. Lacklustre consumer acceptance, last year's deregulation of US telecoms and the lack of technology standards have brought EMC companies to a turning point, it says. The technologies left standing after the impending shake-out, and the companies which develop and use them, will set future standards, according to Paul

Goodstat, the group's chair-

The review, based on interviews with 50 industry executives, attempts to draw together the threads of recent experience and project a pattern of likely developments for the coming year.

Its dozen predictions range from the optimistic, as with prospects for "virtual universi-ties", to the dour, as in the poor short-term outlook for video-on-demand services and online games.

Distance learning will be driven mainly by the low cost of video-conferencing equip-ment, estimated to drop from about \$1,000 (£653) per desktop at the end of last year to \$400 in 1997. Call-up video and games will suffer because high costs and lack of standards have resulted in consumer scepticism, the report says.

Despite its infancy, convergence in the EMC industries is at a turning point," says the group's top executive, Kevin Carton. "There is a critical

tomer as first in the value chain ... It is time to start nutting the pieces of the convergence puzzle together for consumers, so they can benefit from the vision the industry has been talking about for five Unsuccessful results from US

trials with interactive television illustrate the obstacles hampering convergence, the study says. Although some industrialists continue to believe that a combined TV and PC "set" will gain acceptance, others do not. As a result, the report concludes, interactive TV trials will continue slowly as providers come to terms with consumer and

passive entertainment where no work is involved," says John Hendricks, a senior executive at media group Discovery Communications. "The computer is much more interactive. It is also very personal: the whole family cannot use it

technological demands. "Consumers look to TV for

III-conceived computer games The Price Waterhouse study predicts "hand-to-hand combat" in this sector, with tech-nology specialists resting on their laurels being trounced by intelligent marketeers who understand customer behav-Other short-term forecasts include the arrival of pay-per-

users have little patience with

view newspapers on the Inter-net, continued explosive growth of corporate intranets, and increased real-time use of two-way audio and visual links, with remote banking becoming reality by 1998. Ira Carlin of McCann-**Erickson Worldwide counsels** 

caution with longer-term predictions. No matter how firmly industry leaders forecast their vision of the future, he warns, some new technology or notion will pop up to throw it out of focus. As he says: "The future ain't what it used to be."

20% of new UK internet **Christopher Parkes** users read the FT\*

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 Brazil Financial Wire (unow.agestado.com/bfw) is a news service in English put together by Sao Paulo-based Agencia Estado. You'll need to register, but it's well worth it. If you deal with the region it's an excellent alert source and the provides regional business news and a summary of

the Brazilian press. Details of what is billed as the "first shareholders' meeting to be held on the Net"

using RealAudio technology can be found at the Bell & Howell (ww2.audionet.com/pub/ belhowel/belhowel.htm) where the company says a slide show

of the event is also available. · "Designing the Internet" is a conference about design issues in new media, organised by Design Agenda in association with London's Central St Martin's School of Art, from July 46. Registration information can be found

www.spy.co.uk|da|in- NatWest and ICL last week opened Buckingham Gate, their collaborative Web mail

venture, aimed at well-heeled

international virtual tourists

and bringing together dis-tinctly English advertisers and information sources. The street map is nicely done and the events listings are basic. but easy to use. Should be a hit with exactly the sort of visitors they have in mind.

Very promising. • The Securities Institute of Australia (http://securities.edu au) has a useful site which is designed as an aid to professional development for people operating in the securities industry. The site is currently being developed but looks

Interesting.
Stockhouse (www.stockhouse.com) gives data and weekly stock selections which might be interesting for speculators and investors following Nasdaq and the Canadian exchanges. Nice and simple,

 Prestige Imports (www.mja.net/prestige) is a Florida-based automobile dealer, specialising in exotic and collectible cars from Lamborghini to DeLorean. I guess in Florida a 1995 Range Rover qualifies as "exotic".

### Travel News · Roger Bray

More carriers please Neil Kinnock Emopean transport commissioner, has ordered a detailed. investigation of air fares within the EU - to see whether

travellers see paying more on routes where traffic is carved up by history strings than on those where several carriers compete Off. airline British Milland sireary knows the

In the last 10 years, it says. histories class bres on routes with entre competition rose by 26 per cent against 46 per cent on those without. Passenger numbers on the former rose by 8f per cent - on the latter by

only 53 per cent. It estimates the total cost of these lingering duopolies to European business at £303m.

Assault on batteries Richard Branson's Virgio Atlantic which starts a nev service between London and Washington DC on 26 June, plans to install power points for laptop users on some aircraft.

The move is part of a £10m deal with Matsashits to fit on-demand video and andio entertainment systems in two Boeing 747-400s and three Airbus A340s, all on order and

### due for delivery he the first

New Detroit servinal
Detroit's Metroposism Arport
is to get a new Sides (Tizam) terminal An appropriate between Northwest Albines construction and sales a

total to six.

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Amon Cohen suggests how to invest in safety for those heading into the world's troublespots

### ood news awaits you at Moscow's Sheremetjevo airport if belongs to an international partnership called First BTI. On arrival at the airport you will be shown to a bus that takes you directly to your hotel

in the city centre. At first sight, a charge of \$50 (£33) return or \$30 one-way may seem a little steep for the service, but it appears more reasonable when you realise the price includes an escort in fact, an armed guard.

The alternative is to take a taxi into town, but not all travellers who have set out for their hotel in this way from Sheremetjevo have arrived at their intended destination.

However scary a visit to Russia can be, it is a sobering thought that it is almost Arcadia when compared with the world's most dangerous destinations. Russia does not even figure on the list of countries which the UK's Foreign Office advises against visiting under any circumstances, nor even on a secondary list of countries to which essential travel only

Ask people in the UK travel business what the first rule is for visiting a dangerous destination and many will suggest adherence to Foreign Office guidelines. The FO says: "You would be very silly to travel to these places, and you might end up very dead."

Silly or not, however, there are times when a company's commercial interests are so much to the fore that it will send its employees to very dan-

## Destination danger

gerous destinations. Among corporate types most likely to boldly go where they ought not to go are those in the oil business, and one man who regularly does so is Norman Ryan, manager of corporate travel for Europe. Africa and the Middle East for oil exploration company Halliburton Holdings.

This year Ryan has already visited Angola ("essential business only", says the FO) and Algeria ("under no circumstances"), not to mention Nigeria, also renowned for its security problems.

Angola is still recovering from civil war, with assorted bandits, renegade soldiers and former mercenaries roaming the countryside. In Algeria, Islamic terrorists deliberately target western business executives. Yet despite the obvious dangers. Ryan was not unduly concerned about making those journeys.

"Our company has given a lot of attention to making these destinations safe for our employees." he says. "so while there was a threatening environment outside, we felt perfectly at ease inside because we knew we were peing looked after. Ryan's views closely resem

ble those of Christopher Grose. director of information services at Control Risks Group, which specialises in advising companies and their travellers about security.

"Generally it is a good idea



to follow FO guidelines on which countries to visit," says

The one exception is if you are visiting a country where your company is well established and can put its arms round you. If you are flying to the oil-producing area of Hassi Messaoud in Algeria, for instance, you will be well protected there, so it is very different from going to the capital. Even in Algiers, however, you are likely to be safe if you are

Being careful does not necesinternational hotel bunker after your work is finished. either. Gross says it is per-

fectly possible to enjoy a wild night out in Bogota and return with both wallet and limbs You can go to dinner and nightclubs as long as you are careful about how you go and come back," be says. "Unfortunately, many people ask advice from colleagues or their hotel

concierges and then don't fol-

The hot spots Where you should not go

ammu & Kashmir regione of India.

low it. If something goes wrong, in many cases it could have been avoided."

For the most perilous destinations, Norman Ryan offers the following checklist of pre-Be quite sure that your visit

Source UK Foreign Office

essential: Make sure your passport,
 visas and immunisations are up to date and spot on;

Be certain of the arrange ments for meeting you at the sirport, and do not venture out

of the airport compound under

any circumstances;
• Remove anything from the outside of your baggage that will identify you, your rank or your company;

Take hand-luggage only anything you put in the air-craft's hold could well be sto-

 Don't take laptope or cam- Dress down unless you really have to look smart; Don't take local taxis; Take as little cash as possible, but remember that some things have to be paid for with

Don't walk the streets, pardcularly at night; Arrange for people to come and see you rather than the other way round; Always consult security

advisers, whether in-house or Advise your family that you are unlikely to be able to phone them while away. If you fail to call, they will not panic; if you do call, it will be a

Take along a medical kit. including clean syringes.

To add to the above list, Control Risks also recommends leaving your rank and company name off faxes, and waiting until your last day in

the country if you want to call a press conference. Travellers with sufficient clout might consider enlisting the help of the local military if their company is important enough. "After all, they do want your investment," says Grose. "A convoy is useful, or you might ask for a helicopter if it is a very quick visit."

## Top tips for three cities

means of transport between Lon-don and Paris and Brussels, it reasonably painless and not outrageously expensive crosschannel trip.

However, the launch of a comprehensive Crass-Channel Travel Guide for London-Paris travel, and the updating of its companion, the Cross-Channel Travel Guide for London-Brussels, should make it

Both guides, published as sturdy briefcase sized leaflets, have airline and Eurostar timetables listing flight codes and fares for all airports and rail stations, as well as travel tips for the three cities. Michael Berendt, a Europ

policy adviser who publishes the guides, says he updates them quarterly but sometimes more often. He started the guides two years ago with a Brussels leaflet when he began travelling regularly between London and the Belgian capital.

The two guides also come with a third leaflet listing every phone number you will ever need, including airline, airport and ferry numbers, motoring organisations, and a diagram of Paris rail connec-tions, the Brussels metro network and a map of main EU area in the Euro-capita Perhaps most useful, how

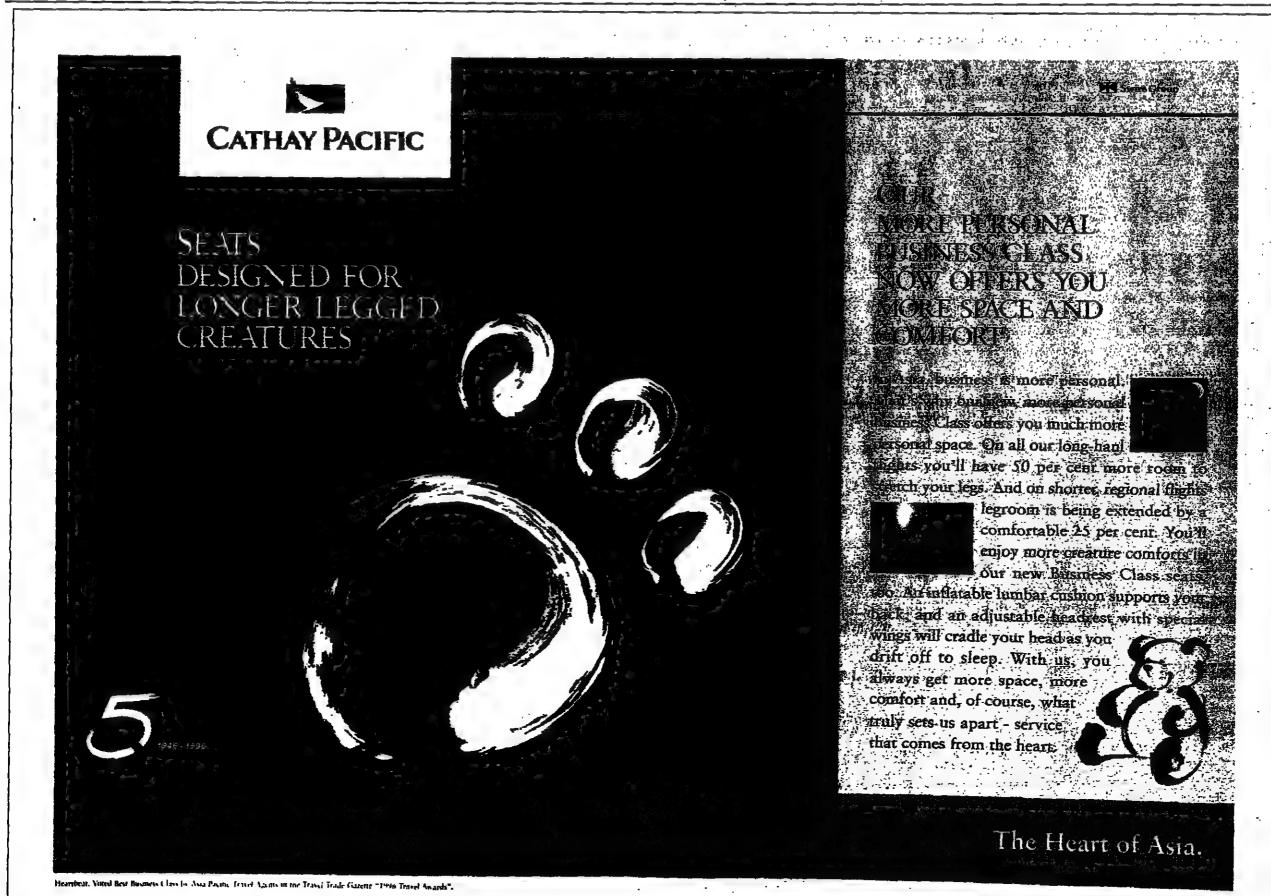
ever, are the transport tips covering things you wish someone had told you before you embarked on a journey by public transport. For example "The Piccadilly Line [the London Underground link to Heathrow airport] is the simplest means of public transport, but it is not quick. The outward journey from central London to Terminal One can take as long as an hour." Travellers are advised to investigate coach services, which are supposed to be quite

· Hints for getting between downtown Brussels and Zaventem airport include notes on the rail schedule. The guide adds: "There are almost no bus services at Zaventem; taxi is the main alternative to the train. In the morning rush hour this can mean a long

The guide even includes a warning about Brussels taxi touts. "The pirate taxi drivers who tout for custom in the arrivals hall can cost a good deal more (than the official fare of about BFr1,1101" it.

The annual subscription cost is £19.80, or FFr175 or BFr1,050. For more information, write to: PO Box 37, London WC2A 1QD, or fax 0171 828 7960 in the UK or 02 772 3641 in Belgium.

Kate Bevan



GRANADA

This year's Granada festival honours Manuel de Falla (left) on the 50th anniversary of his death. The opening

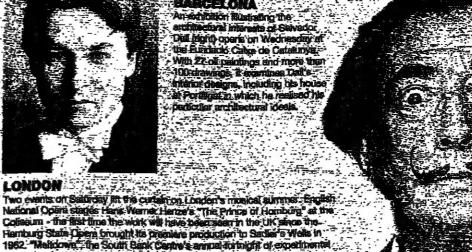
concert by the Madrid Symphony Orchestra on Friday includes "Nights in the Garden of Spain", and the following two weeks bring stagings of his operas and ballets, a recital by Victoria de los Angeles (far left) and performances of the music which most influenced him.

Simon Rattie (right) brings his City of Birmingham Symphony Orchestra to the Châtelet this week for what is billed as the Paris premiere of "Jenula", Janaček's most widely played opera, it is ataged by one of France's brightest theatrical talents, Stéphane Braunschweig, and the cast includes Nancy Gustalson, Anja Silja, Philip Langridge and Graham Clark. There are six performances, starting on ...



RANCEL ONA

music, opens with a concert of contemporary frivials maste staring Magnus Lindbeig and Sas-Palda Salonen (arove)



Why music won't change politics

Hans Werner Henze tells Andrew Clark why he has altered his views

ew 20th century musicians have struggled more pasgap between art and politics than Hans Werner Henze, whose opera The Prince of Humburg comes to London on Saturday. And few are betler equipped to expound on the powers and limitations of the creative artist.

The artist, says Henze, will always exist on the fringe of society. "That's why his interventions are often clumsy and inappropriate. The artist has no interest in addressing mass rallies, attending committee meetings or trying to persuade people. Music has no political function, it can only do what is within its power. Its function is aesthetic - to arouse emotions, calm souls and ennoble the human spirit.

Coming from a compose who was once notorious for his left-wing political activism. such words will doubtless raise a few eyebrows, especially in his native Germany. But they are entirely concordant with evolution of Henze's life and thought. He may no longer trust the power of music to change the world, but he still believes in its ability to nurture mankind's better nature. He has devoted his life to the

As ie approaches his 70th birthday on July 1, Henze is in contemplative mood. The hoteyed radicalism of his younger years has long departed. He has given up all active involvement as a performer and educator. He travels little, prefer-ring to tend the trees and vines he planted 40 years ago at his villa in the Alban hills south of Rome. And he has been summarising his life's work in an autobiography, to be published

later this year. The mantle of soft-spoken seer seems to suit the septuagenarian Henze. "I live very well in the country, I love the classical Italian landscape," be says, "And I feel as if I'm pulling together the experiences of my life into their essence. towards a kind of harmony. It's happening quite naturally - it has something to do with age, I suppose, and also with success. When time passes and events get more distant, you are better able to judge them with

that distance But it would be wrong to issume that Henze's creative

fires have dimmed: isolation has only served to quicken his output of vast scores. A new orchestral work comes to the Proms in August. His latest opera. Venus and Adomis will be premiered in Munich in January, and he has promised his Ninth Symphony to the Berlin Philharmonic.

Nor has he entirely shut himself off from the world. Bronzed and relaxed, he was clearly enjoying himself in Aldeburgh last week, meeting old friends, attending rehearsals and recalling his first visit to the festival in 1959. This week he and his longtime companion, Fausto Moroni, will be attending the first night of The Prince of Homburg at English National Opera – one of many 70th birthday tributes across The recent success of Hom-

'Music's function is aesthetic - to arouse emotions and ennoble the human spirit'

burg has taken him by surprise. Based on an early 19thcentury play by Kleist, the opera was premiered in Hamburg in 1960, in a production which briefly visited Sadler's Wells two years later. But it was coolly received and lay dormant until Nikolaus Lehnhoff staged it in Munich in 1992. That production's success, with a revised, more transparent orchestration, has since taken it to Zurich, Antwerp. Charlestown - and now London. Three other productions are scheduled for Germany next year.

omburg focuses on the timeless conflict between individual freedom and the law: its hero is a dreamerprince who fails to carry out military orders. The music is notable for its poignant lyricism, its emotional power, its plasticity and swift durchkomponiert quality. Henze's effects are piquant and refreshingly un-Expressionist, with none of the meandering, heavy-texhedonism that mar so much of perfect marriage of intellect and feeling, of Henze's German heritage and the cool sensuousness of his adopted Italy.

artists of the 1990s, including Douglas Gordon from Scotland

and Matthew Barney from the US. The show opens on

prise to discover he was virtually blackmailed into writing it. His mentor, Luchino Visconti, had been much impressed by the Kleist play and wanted to stage it. He also suspected it would make a good opera, and that Henze was ideally equipped for the task. Was it the anti-war theme that attracted Henze, whose fervent anti-militarism stems from his uncomfortable experi-ences under the Nazis? "Not at all. I told Visconti a

German composer could never turn it into an opera, because the play is music already, and you need all your time to keep up with the fantastic sweep of ages the poet has compos Visconti then said that if I refused, our friendship was over. And he was serious. He was a tyrant, but he was also a remarkable director, especially

of opera. So I had to do it." Henze retired to Naples and the sympathetic counsel of the poet Ingeborg Bachmann, whose experience of cutting literary texts for Austrian Radio made her the ideal collabora-tor. Despite axing half of Kleist's lines, she preserved the play's spirit - and Henze set to work. As he recalls, "it was the period when the Darmstadt school of serialism was turning to the world of rhythm. I wrote as strictly as possible, so that even the vocal material stemmed from the same basic rhythmic patterns This was no easy task, and

the opera's early interpreters mastered their lines with difficulty. Nearly 40 years later. Henze says he is taken aback at how naturally musicians have adapted to the idiom, "and something comes out which I always proclaimed was there but nobody noticed - a kind of Verdian vigour and severity, which of course is very much in the book. It was also interesting to create two opposing worlds; the strict world of militarism, the order the one hand, represented by serialism and on the other, the somnambulism, the ecstasies of a dreamer, the disobedience,

which has a completely differ-

contrast enriches the opera." Homburg exemplifies the

strong literary hinterland of much of Henze's work. Shake-speare was the inspiration for Venus and Adonis and the Eighth Symphony, while Anna Seahers's novel The Seventh Cross provides the text for the Ninth. Here we find Henze on familiar ground, haunted by guilt for Germany's past: a group of young anti-Nazis escapes from a concentration camp, and all but one are cap-tured and die.

The symphony is cast in seven movements, with words sung by a chorus. What attracted him to Seghers's book? "Well, there's a tradition that a Ninth Symphony has a message, and I'm building a monument for the German anti-fascists. Nobody ever did that, they've been forgotten. Thousands of Germans died for their ideas. The one who gets away is rescued by a Dutch

boatman and survives. That's the message - there's some

Although Henze confesses to feeling uncomfortable in Ger-many, he has never been able to escape his German musical inheritance. Will he attempt what his greatest forebears never achieved - a Tenth Symphony? He says he has no hang-ups about it, preferring to look on his symphonically-conceived opera The Bassarids to be revived at the Met in 1998 - as his Tenth.

t was the premiere of The Bassarids 30 years ago which prompted the influential German critic H.H. Stuckenschmidt to hail Henze as Richard Strauss's true successor. Henze he hates Strauss's music. But he is clearly flattered by association with Mahler, who haunts *The Bussarids* and the Seventh Symphony. He describes Mahler's music as "the most wonderful since

He resists the notion of a findesiècle mood infecting late 20th-century culture in the way it did Mahler's time, describing the millennium as "just another day. What I do hope is that the values of European civilisation will be respected more in the next century than they have been in this, and that there will be more understanding of music. This is the ideal I have been nourishing for some time."

With a whimsical look, he quotes Stravinsky's dictum that "music helps to improve morals". And does he agree? I do. The more people learn about music, particularly in schools, the more non-violent they will be, the more they will know there is something like the soul, and the more they will discover their own creativElla Fitzgerald

## First lady of song

After dencing a couple of rounds, I heard a voice that sent chills up my spine. I almost ran to the stand to find out who belonged to the voice and saw a pleasant looking, brown-skinned girl standing modestly and singing the greatest. I was told her name was Elia Fitzgerald and that Chick Webb had uncertised her from one of the Apollo's Amateur Hours."

So said the planist/arranger Mary Lon Williams, describing her first encounter with the America's first lady of popular song. Fitzgerald died at home in Beverly Hills on Saturday

at the age of 78.

Born in Newport News,
Virginia, Ella Frizgerald was brought up in a multi-racial borough of Yonkers, just north of New York city, by her mother and Portuguese stepfather. A keen street corner dancer, her mother entered her in an amateur night contest at the local Apollo. On the night, paralysed by fear, she instinctively sang her mother's favourite tune - "The Object of My Affection" -instead of dancing.

She won the first prize and was spotted by altoist Benny Carter who introduced her to Chick Webb. Immediately prior to her first fateful engagement her mother had a car accident and suffered head injuries from which she never recovered: she died just as her daughter's career was beginning. Fitzgerald was 15 and the aggressive little hunchback drummer who would become her guardism until his death from TB six years later

in 1939, was 24. In 1938, Fitzgerald recorded "A-Tisket, A-Tasket" with Webb and shot to fame. The young Fitzgerald, now a national star, continued to lead Webb's orchestra for three years after his death. After turning solo she signer un with Norman Granz's Jazz et the Philharmonic, touring with Oscar Peterson, Dizzy Gillespie, Minois Jacquet and

Gene Krupe.
When her contract with Decca expired in 1956, she moved to her mentor Granz's new Verve label and, on the basis of a handshake contract, embarked on a series of recordings which would become a part of popular music bistory. The classic "songbook" albums were devoted to the work of composers Harold Arlen, Irving Berlin, Duke Ellington, George and Ira Gershwin, Jerome Kern, Johnny Mercer, Cole Porter and Rodgers and Hart. The combination of her crys-

"One night, scuffling around tal clear diction, pure tone and Harlem. I fell in the Savoy." tal clear diction, pure tone and relaxed swinging, harnessed to the best writing by superior arrangement assured the series, and everything that fol-lowed, enduring success. Self-assured, almost

matronly, on stage, Fitzgerald was self-critical to the point of insecurity when off it. Frank Sinatra once commented that that she didn't know how to breathe and her phrasing was all wrong: "I was so upset by that, I really couldn't sing for a week," she told jazz-writer Leonard Feather. But sing she did and, like Sinatra, always made the most of the best material: whether pressing on the rhythm of classic



Jazz genius: Elia Fitzgerald

ers like "Row High The Moon", cheekily improvising the lyric of a swinging "Mack The Knife" or innocently negotiating the fine musical muance of a Gershwin ballad. Less operatic than Sarah Vaughan and without the world weariness of Billie Holiday, the ingenuous delivery that launched her novelty songs remained unhardened until towards the end of her career when her tone took on a more abrasive edge. But what she lacked in emotional depth she more than compen sated for in vocal range, mus cality and belter-skelter pow-

A series of duets with Louis Armstrong, followed by TV appearances with the popular singers of the Sixties, broadened her popularity further; festival and concert hall cabaret touring sustained it up until late 1986 when failing eye-sight and heart trouble took her into semi-retirement. She returned in 1987 but continuing ill-health left her housebound in Beverly Hills until her death.

She was married to bassist Ray Brown between 1948 and 1952 with whom she had a son, Ray.

Garry Booth

INTERNATIONAL

### BERLIN

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Pag Print 7pm

COP

Deutsche Oper Berlin Tef: 49-30-3438401 René Kolio: concert on the occasion of the 30th anniversary of the tenor's stage debut. With the Orchester der Deutschen Oper Berlin and soprano Karan Armstrong. The programme includes works by Wagner and others; 8pm; Jun 19 EXHIBITION

Berlinische Galerie - Martin-Gropius-Bau Tel: 49-30-254860 6 Anne Ratkowski - Eine vergessene Künstlerin der Novembergruppe: exhibition devoted to the work of the German painter Anne Ratkowski, a member of the Novembergruppe, a movement of Expressionist artists formed in Berlin in 1C,8. The display includes still lifes and portraits; to Oct 13

BOLOGNA EXHIBITION Galleria d' Arte Moderna Tel: 39-51-502859

 Gilbert & George: an Anthology: retrospective exhibition devoted to the work of the British artist-duo Gilbert & George. The display includes some 100 large works from the 1970s to the present: to Sep 8

### BONN

EXHIBITION Tel: 49-228-776121 Albert Renger-Patzsch - das Spätwerk, Bäume, Landschaften, Gestein: exhibition of works by photographer Albert Renger-Patzsch 1897-1966) from the latter part of his artistic career. The greater part of the works on display was created in the 1960's. The exhibits include photographs of trees, stones and landscapes; to Jun 16

### **■ BOSTON**

EXHIBITION Museum of Fine Arts Tel: 1-617-267-9300 Lithography's First Half Century: The Age of Goya and Delacroix In celebration of the 200th anniversity of the invention of lithography by Bavarian actor and playwright Aloys Senefelder, the exhibition examines lithographs by artists such as Delacrobs and Goya. Works by lesser known artists and prominent artists not usually associated with the medium are also displayed; to Jul 7

### **■ BRUSSELS**

OPERA Théatre Royal de la Monnaie Tel: 32-2-2291200 Carmen: by Bizet. Conducted by Bertand de Billy and performed by

La Monnaie, Soloists include Randi Stene, Cesar Hernandez, Barbara Bonney and Mark S. Doss; 7.30pm;

### COPENHAGEN

EXHIBITION Ny Carisberg Glypothek Tel: 45-33 41 81 41 Byzantkum. Late Antique and Byzantine Art in Scandinavian Collections: this exhibition brings together more than 100 objects from Uposala, Stockholm, Oslo, Helsinki. Copenhagen and Odense. The display includes late Roman imperial portraits, Coptic textiles and nestone reliefs, late Antique and Byzantine coins, pendants and manuscripts from the middle Byzantine period; to Aug 31

### DRESDEN OPERA

Sächsische Staatsoper Dresden Tel: 49-351-49110 Nabucco: by Verdi, Conducted by John Flore and performed by the Sächsische Staatsoper Dresden. Soloists include Hans-Joechim Ketelsen, Tom Martinsen, Danflo Rigosa and Soja Smoljaninova; 7pm; Jun 19

### **■ GLASGOW**

AUCTION Christie's Scotland Tel: 44-141-3328134 Paintings, Drawings and Sculpture by William Johnstone (1897-1981): this sale, which combines property from different sources, represents the career of this British Abstract expressionist whose inspiration was the distinctive form of the Border landscape of his childhood; 2pm; Jun 18

### HAMBURG

CONCERT Hamburoleche Str Tel: 49-40-351721 Hamburg Ballett: perform George Balanchine's Violin Concerto to music by Stravinsky and Theme and Variations to music by Tchalkovsky, and John Neumeier's Petrushka to music by Stravinsky, 7.30pm; Jun 18

### LONDON

CONCERT Wigmore Hall Tel: 44-171-9352141 Dubravka Tomsic: the pianist performs works by Scarla Beethoven, Ravel and Srebotniak 7.30cm: Jun 19 EXHIBITION British Muse

Tel: 44-171-8361555 Vases and Voicanoes: Sir William Hamilton and his collection: exhibition focusing on the

18th-century antiquery, connoisseur and natural historian Sir William Hamilton (1730-1803). The exhibition includes sculptures, bronzes, gold ewellery, carved gemstones, painted Greek vases, paintings and drawings; to Jul 14

### MADRID EXHIBITION

Palacio de Velázquez Tel: 34-1-573-62-45 Nuevas Abstracciones: this exhibition of about 60 paintings by 29 International artists focuses on new forms of abstraction in the

### post-modern period; to Jun 23

### MUNICH

CONCERT Philharmonie im Gastely Tet 49-89-48098625 Symphony No.8: by Bruckner. Performed by the Wiener Symphoniker with conductor Rafael Frühbeck de Burgos; 8pm; Jun 18

### ■ NEW YORK

AUCTION Christies, Manson & Woods International, Inc. Tel: 1-212-548-1000 Important American Furniture, Silver, Folk Art and Decorative Arts: this annual spring sale comprises a selection of offerings from private collections; 10am; Jun 19 EXHIBITION

The Jewish Museum Tel: 1-212-423-3200 Marc Chagall 1907-1917: this exhibition of paintings, gouaches and drawings provides an overview of Marc Chagall's early career; to Aug 4

Whitney Museum of American Art Tel: 1-212-570-3600 Shigeko Kubota: exhibition featuring a new installation of metal, mirror, video, and motorized sculptures, created between 1992 and 1996 by Shigeko Kubota; from Jun 19 to Aug 25

### PARIS

**OPERA** L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99 Lucia di Lammermoor: by Campanella and performed by the Opera National de Paris. Soloists include Roberto Frontali and Andrea Rost; 7.30pm; Jun 19

### SAN FRANCISCO EXHIBITION

SFMOMA - Museum of Modern Art Tel: 1-415-357-4000 Affred Stiedlitz at Lake George: this exhibition of approximately 100 works investigates the late work of the American photographer Alfred Stieglitz; from Jun 20 to Sep 22

### ■ TORONTO

O'Keefe Centre for the Performing Arts Tel: 1-416-393-7474 Fiddler on the Roof: by Joseph Stein. Directed by Jerome Robbins. The cast includes Theodore Bikel; Tue - Set 8pm, Sun 2pm, Thu, Set also 2pm; from Jun 18 to Jun 23

### **■ WASHINGTON** THEATRE

Tel: 1-202-467 4600 · Second City Truth, Justice or the American Way': an evening of comedy featuring a compilation of skits, songs and Improvisations performed by the Second City National Touring Company; Tue - Fri 7.30pm, Sat 6pm & 9pm, Sun 3pm & 6pm; from Jun 18 to Jun 23

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Michael Prowse · America

## Boardroom virtue

Corporate downsizing is beneficial because it is promoting a recovery in the share of profits in national income

increases in compensation in

excess of productivity gains.

You will have heard the conventional wisdom. Top US executives are wedded to a mindless policy of "downsizing". They are incessantly seeking ways to restructure operations, cut costs and eliminate jobs. They care about nothing except the short-term interests of shareholders. This is certainly the view of President Clinton, who is try-

ing to shame top executives into adopting a broader view of their "social responsibilities". Even on Wall Street. voices are now heard arguing that shareholders have been unfairly favoured at the expense of workers. Having spent years lauding the effi-ciency gains from restructuring, Mr Stephen Roach, an economist at Morgan Stanley, the investment bank, recently reversed his earlier stance, and declared that downsizing had gone too far.

In Europe, most pundits appear to regard Mr Roach's apostasy as justified. People seem to take it for granted that US executives are callous

I remain deeply puzzled by this conventional wisdom. In strict employment terms, it has always been nonsensical to talk of downsizing. Far from unfairly cutting jobe, US industry is "upsizing" at an astounding rate: job losses at Fortune 500 companies are more than offset by the new positions created by small and medium-sized companies. The US jobless rate is 5.6 per cent. Nonfarm employment has risen by 9.7m since Clinton took office and by 48.3m (or 68 per cent) since 1970. The chief executives who deserve cansure reside in Europe, where employment has barely risen in a quarter century.

But critics will say I am missing the point. US compa-nies may create plenty of jobs. but they are lousy, insecure jobs. And US companies have been cutting pay while earning excessive profits. The living standards of many workers have thus stagnated, or failen, while rich investors have benefited from extraordi-

have shocked even Karl Marz. Almost every statement in this familiar tirade is false. People are not being fired more frequently now than in the early 1980s. Most recent employment growth has been in sectors paying above-average wages. Total worker compensation (wages plus benefits) has risen steadily. Shareholders are undeniably doing well. In a recent paper\*, Ms Jill Jacobs of Goldman Sachs estimates that the share of profits in gross all-time highs in the late domestic product rose from 4.7 per cent in the first quarter of 1970s. For a short period, workers were able to win

of last year. The share of labour income in GDP has declined noticeably. But does this mean workers are being treated unfairly? It all depends on what constitutes "normal" profits. After numerous bouts of down-sizing, the profit share is still much lower than in the "flower power" years of the late 1960s. Indeed, in the seven business cycles between 1937 and 1973, the profit share averaged 10 per cent of GDP. There were fluctuations but the profit share typically stayed within a band of 8-12 per cent of GDP. This sugges profits were artificially would have been had industry remained inefficient and the depressed in the early 1980s and are only just climbing back to "normal" levels. profit share depressed. Over the long run, therefore, higher

1983 to 8.4 per cent by the end

Why did the profit share col-

nary gains in share prices. Income that rightly belongs to workers is thus being expropriated on a scale that would large in the 1970s? The most convincing explanation is that less turbulent times are in prospertated on a scale that would large in the 1970s? The most convincing explanation is that less turbulent times are in prospertated on a scale that would large in the 1970s? The most convincing explanation is that less turbulent times are in prospertation. mined the general efficiency of business. When inflation is profit share since the early high, changes in relative 1980s has understandably creprices, which convey vital ecoated social tensions. But it is nomic information, are hard mostly a one-off adjustment. The profit share might rise a to distinguish from changes in the overall price level. Profits are overstated and companies few more percentage points, taking it to the upper limits of its historical range, but it is not going to double again. consume, rather than enlarge. their capital. But there were other contributory causes, Indeed, there are good reasons for expecting it to level off. such as the slackness of management and the militancy of When you consider what unions. As Ms Jacobs notes, union membership and work happened to the relative supply of capital and labour in the 1980s, it is hardly surprisstoppages both reached ing that profits shot up.

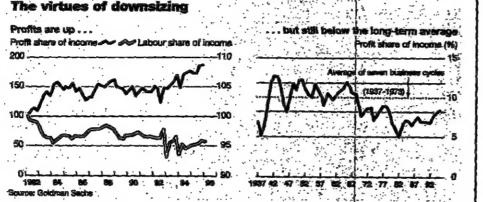
> record numbers; the return on capital would have risen rela-tive to that on labour sven Taking a long view, the recent shift in income from workers to shareholders should not be viewed negawithout downsizing. This pressure is now abat-ing. Business capital invest-ment has soared since 1990. tively. Corporate restructuring and downsizing are not proof of the moral bankruptcy of capitalism, but a necessary and desirable process whereby And the growth of the labour force has slowed sharply. Most industries - from steel to banking - have been through US industry rebuilds depleted financial muscle. Nor should at least one bout of restructurthe recovery in profits be regarded as benefiting only ing. When politicians complain about the social irreshareholders. Once the share sponsibility of business, they of profits to GDP stabilises, are thus behind the times. The wages will again grow in line with GDP. But GDP growth itself will be faster than it scene is set for faster growth of wages and somewhat less buoyant equity markets.

> > Profits and Labor: the pendi hum at rest. Goldman Sachs, One New York Plaza, New York, NY 10004.

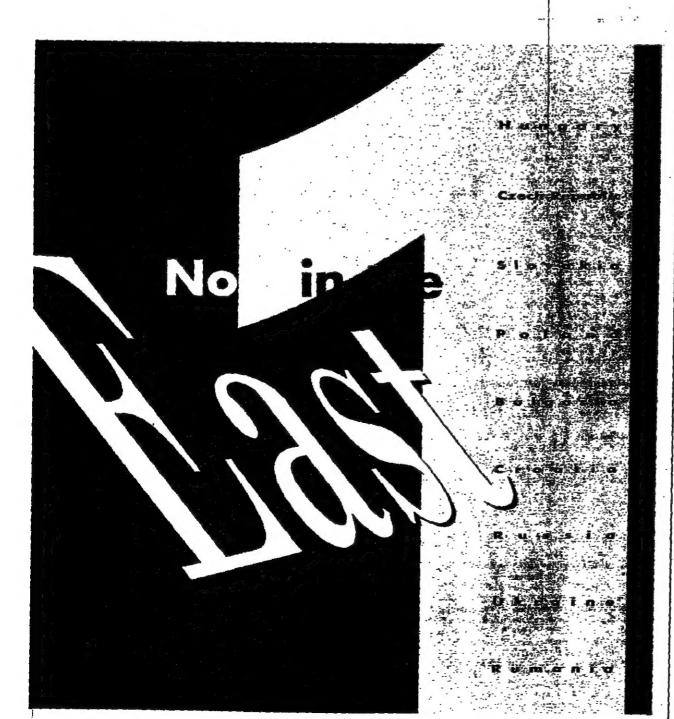
Investment was weak at a

time when baby-boomers were

pouring into the workforce in



profits will be good for work-



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### UK cannot have successful future as low-skill, low-wage economy

From Mr Jürgen Gehrels. Sir, The government's recognition in the Skills Audit published on Thursday, that pulling our randomy, such the UK still logs countries such as Germany, is, I feel, an honest appraisal and therefore a solid basis for improving the UK's competitive position ("Basic skills lag behind competitors", June 14).

Much more emphasis must. be placed on vocational training. While the UK has a pool of highly talented eraduate engineers and scientists, we find only too often that the skills of our broader workforce, particularly in shop-floor manufacturing, This could be a potential

Right if curb

is imposed

From Miss Barbara Heason.

Sir, I disagree with the views

expressed by Mr Keith
Wednare in his letter "Lauve
judges" role alone" (June 10). I
believe the home secretary is

entitled to impose restrictions

on judges' sentencing powers. If that is the will of parliament

At present, the judges do not appear to enjoy public confidence in their approach to

serious repeat offenders, and

the home secretary is right to

do something about this.

Moreover, I believe that

those who attack the home

secretary's proposals have

presented a somewhat partial view of the judge's role in

sentencing. There is always a

between those who prefer legal

certainty and those who favour

the UK. there are various fixed

the exercise of discretion. In

parking fines to murder. It is

wrong to suggest that fixed

per se. Besides, they favour

legal certainty, and there is.

neither just, nor in the public

legitimate to say that criminals

who repeatedly carry out very

serious offences should forfeit

any expectation that judicial

discretion can apply to them.

and should instead enjoy the

Miss Barbara Hewsou,

12 Gray's Inn Square,

Gray's Inn. London WC1B SJP, UK

legal certainty of an extended prison term.

contrast, can lead to unsatisfactory decision-making. This is

interest. It is perfectly

nothing inherently wrong with Too much discretion, by

penalties are unconstitutional

tension in legal systems

penalties in crime from

on judges

barrier to future investment in the UK by international I am very encouraged that

the government has identified this issue and is addressing it. One thing which has always puzzled me is why so many apprenticeship schemes have been abandoned in the UK. The German dual system has been the key to Germany's high-skill; and therefore high-wage, economy during the past lew decades and will help it overcome some of the current structural difficulties

in its economy.

Any beliefs that the way forward for Britain is as a low-skill, and therefore low-wage, economy are totally

capital of this country will be vital for its future economic success and I believe a broader range of apprenticeship schemes in the UK could be an important element of this."

Having joined Siemens as an apprentice myself, and made beady progress as the company has made exceptional progress since, I must admit that I am perhaps a little biased in my view.

chief executive, Siemens pic, Oldbury,

Berkshire RG12 8FZ, UK

Jürgen Gehrels,

### **Economics of rights issues**

From Prof Paul Marsh. Sir, Lex ("UK pre-emption rights", June 11) implies that pre-emption rights are inflating the cost of capital because companies make rights issues "at a discount to the market price and pay a 2 per cant underwriting fee for the privilege".

This confuses two issues.

Making rights issues at a discount does not raise the cost of capital. As explained in my article "Rights and wrongs when raising equity" (FT, May 24), a rights issue is essentially an issue of shares at the current market price. combined with a scrip (or capitalisation) issue. Varying the discount simply alters the scrip element, and thus cannot change the cost of capital.

Rights issues are equitable and cheap. They avoid the

wealth losses to existing shareholders which arise when new shares are sold at a discount via a placing or general cash offer. And rights issue flotation costs are lower than for the alternative methods mentioned by Lex (book building, bought deals). The 2 per cent underwriting

fee is a separate issue. There is considerable evidence that sub-underwriters earn excess profits on the 1% per cent sub-underwriting portion of this fee. There are also grounds for questioning the % per cent fee paid to the lead underwriter and broker. There is scope, therefore, for making rights issues even cheaper. But, in any event, companies can already make deep discount, non-underwritten

Relaxing pre-emption rights would be a move in the wrong direction - at least until alternative methods are demonstrably cheaper, and mechanisms are in place to prevent wealth losses to existing shareholders. To imply that pre-emption rights are a restrictive practice is akin to arguing that laws against theft are anti-competitive.

Paul Marsh, finance, London Business School. Sussex Place. Regent's Park

### Financing at risk because of loophole

From Mr Martin Laing. Sir, I was saddened but not surprised to read Andrew Adonis' report ("Hospital projects under threat",June 10) hat leading financiers are efusing to commit themselves to Private Finance Initiative projects in the UK health sector until the government gives further assurances regarding meeting the Habilities of National Health

I have led a number of construction industry delegations to talk to government about the Private Finance Initiative in recent months, and have generally received a very helpful and

positive response. But, as we have warned government, this issue is a senuine deal breaker. The problem is that health secretary Mr Stephen Dorrell's new NHS (Residual Liabilities) Bill operates only where a trust "ceases to exist". It does not address the position where a trust gets into financial difficulties but does not cease to exist because the secretary of state does not exercise his discretion to dissolve it.

While such a loophole exists, it is hardly surprising that major financial institutions will refuse to commit. themselves to the significant investment involved in these

If the secretary of state were prepared to give an undertaking that he would exercise his discretion in the appropriate circumstances this major obstacle to the successful conclusion of these vital contracts would be removed and real progress on PFI in the health sector could be achieved.

Martin Laing, chairman, Construction Industry Employers Council; chairman, John Laing plc, 82 New Cavendish Street. London WIM SAD, UK

### BSE slaughter policy in UK incomprehensible

From Brigadier Thomas N. have any of my neighbours.

Sir, I write as a beef farme with long experience of dealing with the Germans, to say how much I agree with your leading article "How to lose the beef war" (June 7).

Our Galloway herds did very well six years ago, when we were selling our Galloways to Germany. Ever since the BSE crisis started our exports of live young stock have been stopped. On the whole we farm extensively, as opposed to intensively, and I have never had a single case of BSE, nor

It has always appeared to me that the Ministry of Agriculture, Fisheries and Food has bent over backwards to favour dairy herds where BSE has been most prevalent and that the dairy lobby has

My wife, who runs her own independent business, asked me why, when we had foot and mouth, there was a strict slaughter policy and now we have BSE we have an Angio-Saxon compromise, a

been able to influence MAFF

out of all proportion to its real

demi-semi slaughter policy which is simply not understood by our fellow members of the EU. I was unable to give her a very clear reply.

I gather that the Germans simply cannot understand this 30 months slaughter policy. It has no scientific basis and I hear that my friends in the National Farmers Union may be behind it. Could this be more of the dairy lobby?

が

Thomas N. McMicking. Miltonise, Newluce, Wigtownshire DG8 0LY, UK

Personal View • Daniel Hodson

## A crucial place at the table

Britain must take the lead in talks on European monetary union to protect the City's interests

The Bank of England's recent report on the City's preparations for European economic and monetary union is naturally neutral on the merits of Ema itself. However it led me to two important

First, the single currency will vitally affect the City whether the UK opts in or out of it, because the British financial services industry is so dominant in European markets. And second, it is therefore essential for Britain to remain at the Enzu negotia-ting table to protect both UK interests and, in practice, those of Europe too. City views on the merits and likelihood of monetary union

vary. However the only prudent planning assumption is that it will go ahead on time. The UK industry must therefore be ready to grasp any opportunities that Emu offers. Take the London Interna-tional Financial Futures and Options Exchange (Liffe) as an example. Our futures contracts enable financial institutions and their clients to insure themselves against interest rate movements. As a result, corporate treasurers can protect profitability and jobs, and small businesses and individuals can fix loan rates

and mortgages.

Many of these Liffe contracts are denominated in currencies which may join the monetary

union - the D-Mark, the Italian lira, the pound sterling. If the single currency goes ahead, there would probably be a single short-term rate of interest across the Emu area and hence a single short-term interest rate futures contract. This would be a major contract and a huge prize to the exchange that captures it. However, there are several

blems Liffe has had to confront if it is to succeed in seizing the opportunity. For Instance, the British Bankers Association Interest Settlement Rate (BBAISR) is recognised as a key reference point for interest rates in D-Marks, Italian lira and other currencies as well as sterling. Will this continne to be a key reference rate after monetary union? We cannot be sure. But we have to finalise contracts now. We have put our faith in the London interbank rate. Similarly, Liffe has had to

consider how best to cope with the possibility of differences opening up between interest rates on short-term loans in

There are areas on which Liffe needs the government to continue to do battle for it in the councils of the European

Union

domestic currencies and those on the euro. This could arise, for

instance, during the transi-tional period when the local currencies and the suro will operate in parallel in each participating member state. Divergence between the two rates could occur if the wholesale markets switch straight to euros, leaving only the retail markets in national currencies. Or it could happen if the markets think there is a serious risk of monetary union falling to be completed.

If there are two interest rates, which one should contracts be settled against? We have chosen to settle against the euro; but only if Emu goes ahead and the relevant currency is participating fully.
These are decisions for Liffe.
There are other areas on which we need the government to continue to do battle for us in

the councils of the European For example, the December 1995 European Council in Madrid decided that there should be "legally enforceable equivalence" between the participational decided that there is not between the participations are the participations of the participat

ing national currencies and the euro. It is not yet clear to us what this means. What is needed is a legal obligation on each participating central bank to exchange its national currency for the euro in unlimited amounts - unconditionally and at zero or minimal cost. It is essential that UK ministers fight to ensure that the relevant European regulation, when drafted, achieves this effect. Or take settlement. As the Bank of England report makes clear, it is vital that there is a direct link from the UK's real-

time settlement system to cor-

responding systems in other Emu countries in Europe. If not, UK-based banks and financial institutions may find their ability to compete on equal terms when handling euro payments is undermined. British ministers must continue to insist on equal access to other countries' settlement systems.

Or take contract law. Many commentators now agree that European legislation is required to ensure that contracts cannot be terminated simply because they are denominated in a currency that has given way to the euro. However, European legislation does not apply in New York or Japan. Because so much US business in European financial instruments is done through London, the City would be hard hit by any uncertainty. British ministers need to press Brussels for active negotiations with authorities in non-EU countries to ensure that the switch to the euro does not undermine futures and optionscontracts.

The City generates £20hn in balance of payments earnings and more than 500,000 jobs. It is for the government to decide whether or not the UK should join the single currency and what European stance is in the national interest. But the City is entitled to ask the government to join in the discussions on the practical implications of monetary union.

The City's position as Burope's pre-eminent financial centre may be at stake. Getting that right is important to us

The author is thief executive of the London International Financial Futures and Options

### FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday June 17 1996

# Cold contempt for peace

In its bombing of Manchester city centre the IRA/Sinn Féin has shown callous contempt for the multi-party talks on the future of Northern Ireland chaired by Mr George Mitchell. Denied a place at the negotiating table unless they reinstated a ceasefire, IRA leaders have responded with yet more indiscriminate violence.

The bombing, which followed the IRA murder last week of a policeman in the Irish Republic, has raised speculation of a split between hardline terrorists and the political leadership of the Republican movement. Such theories are impossible to test. But, in refusing to condemn the latest outrage Mr Gerry Adams, the Sinn Féin president, has underlined again his organisation's inextrica-ble ties with the IRA's military commanders.

Mr Adams's personal preference may well be for politics over vio-lence. But Sinn Fein clearly puts unity among Republicans ahead of its oft-voiced conversion to the cause of democratic politics. The odds are that the latest outrage was being planned just as Mr Adams was campaigning in the recent Northern Ireland elections on a platform of peaceful negotia-tion. It is hard to believe that Sinn Fêin would have been kept in ignorance of the IRA plan.

So, even if the IRA were now to announce the restoration of its ceasefire, it would be difficult to convince the constitutional parties in the province to give Sinn Féin a

weekend by Mr John Bruton, the hish prime minister, a new cease fire would look now like a short-term tactical manoeuvre.

While refusing to give up all hope in the peace process, Mr Bruton has announced a necessary review of his government's links with Sinn Fein. One must assume that President Bill Clinton will do the same. There has been nothing dishonourable in the US administration's efforts to act as a broken in Northern Ireland. But it is diffi-cult now to see how it could continue to allow Mr Adams a visa, or for money to be raised in the US to fund the cause of terrorism in the UK and Ireland. Others, too including the media, must now reconsider their attitude towards the Republican movement.

It would be a mistake, though to assume that the latest outrages have the support of the Catholic community in Northern Ireland. There is probably as much dismay in the nationalist Falls Road as in the unionist Shankhill at the prospect of renewed violence. Many who recently voted for Sinn Fein did so on the basis that it meant what it said about peace.
It is now up to those at the talks

to harness that mood to the cause of an eventual political settlement. The opening week has not been heartening, with bickering over procedure obscuring the objective of an equitable agreement between unionists and national ists. But if the negotiations ultiplace at the negotiating table. mately fail, the IRA's bombers will without the irrevocable commit in some part have succeeded.

## Plague of rogues

Yasuo Hamanaka, the former chief copper trader of Sumitomo Corporation, managed to lose the equivalent of around \$750,000 (£490,000) per working day. This may be a less rapid plunge into the red than that achieved by Mr Nick Leeson, whose \$1.3bn dealing iosses at Barings were also more devastating in their effect. But the failure to detect losses of \$1.8bm over such a period in a company

of Sumitomo's size and reputation remains scarcely believable. Unlike Mr Toshibide Iguchi, Daiwa Bank's offices in New York, Mr Hamanaka was not working in some far-flung branch but under his bosses' noses in Japan. Again. unlike Mr Iguchi, whose unauthorised deals were in US Treasury bonds, Mr Hamanaka was a very big player in a much smaller market. Indeed, Sumitomo had been criticised on the London Metal Exchange for stockpiling copper in the LME's warehouses, thereby squeezing the market. The mystery is that, if Mr Hamanaka really was forcing up prices, he should have been producing unauthorised profits, not losses. But attempts to establish a corner in metals markets have undone pow-

**6**完全型。

THE WAY

erful players before now. This is the second disaster in which a Japanese trader appears to have been in a position to falsify the records of his own trading, which suggests that financial discipline in Japan may rely

Over a period of 10 years Mr excessively on the values of social Yasuo Hamanaka, the former cohesion and corporate loyalty chief copper trader of Sumitomo rather than on watertight controls. The rampant individualism that now characterises the world markets does not sit easily with Japanese culture. So it is unsur-prising if Japanese companies are wrong-footed in the mêlée.

Yet the lesson of Barings is that anyone can be vulnerable. And a striking feature of both the Barings and Daiwa losses was the absence of clear evidence that the traders gained personally. With Sumitomo it remains to be seen what the co-operative efforts of regulators across the globe will uncover. Yet there is little doubt that all three traders did make psychological gains. Their position as Mr Big, either in the market or in the office, mattered to them hugely. Traders' power fantasies may be as big a threat to shareholders as distorted incentives.

This is far more worrying for the stability of the financial system than the involvement of the hedge funds. As with sterling in the European exchange rate mechanism, the hedge fund managers here may simply have exposed the unsustainability of a copper price that was being unwittingly supported by one of Japan's larger corporate balance sheets. The recent volatility on the LMR has not served the interests of producers and consumers. Until more is known about the forces behind these upheavals, any regulatory verdict must remain on hold.

## Bosnian vote

A row about the timing of Bosnia's elections is laying bare some of the contradictions of the Dayton peace agreement, and the ambiguities of western policy.

The US wants elections leading to the creation of Bosnia-wide institutions to take place in mid-September. But the Organisation for Security and Co-operation in Europe, which will oversee the poll, has balked at this. Mr Flavio Cotti, the OSCE chairman, is understandably reluctant to certify that fair elections can take place when many of the terms laid down at Dayton have not been fulfilled. Very few of Bosnia's 2m displaced persons have gone home; non-nationalist parties continue to have difficulty in making themselves heard; and indicted war criminals are still at large, and

exercising political influence. Yet Mr Carl Bildt, the international mediator, is backing Washington's line. While the US administration's apparent motive is to assure American voters that Bosnia's peace process is on track, Mr

Bildt has a different concern. He believes that elections are needed to provide Bosnia with legitimate state institutions which can receive financial aid and be held responsible for distributing it fairly. Opponents of a September poll, who include many human rights lobbyists and the Moslem-led government, say rushing into elections will consolidate Bosnia's partition. But Mr Bildt's argument is that a poll must be held before

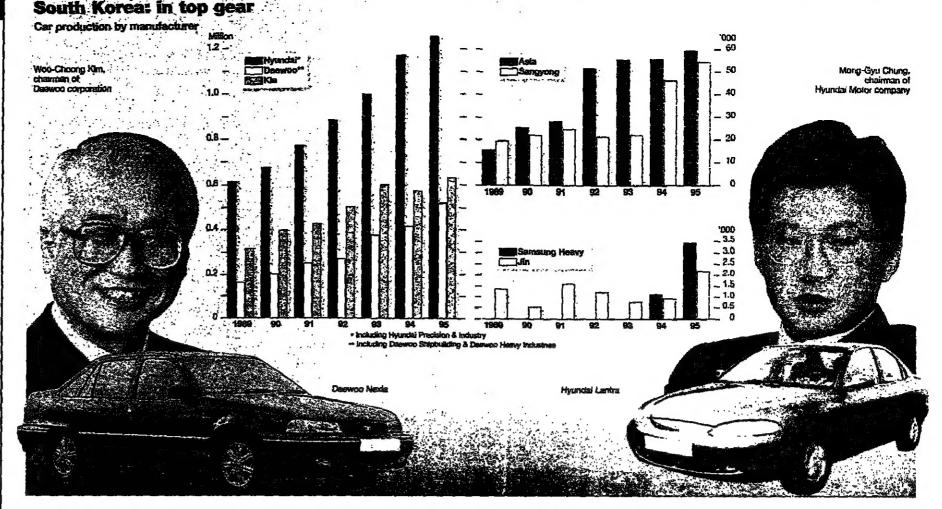
cross-community reconstruction efforts, which are one of the best ways to overcome partition, can seriously begin.

If debates over Bosnia have regained some of their old acrimony, that is partly because some painful truths about the Dayton accord have resurfaced. The agreement is two things at once: a practical arrangement to enforce partition, and an idealistic plan to knit Bosnia together. While the first project has gone well, there is no procedure or timetable that would make the second one easy.

Whatever the drawbacks, the US will probably succeed in its aim of securing a September poll. But the exact date is less important than how the western world uses whatever time it has to promote those forces in Bosnia which favour reconciliation.

That involves facing down all the traditional parties, and actively encouraging those who are prepared to build bridges across ethnic lines. If western governments do not have the will or the funds, then non-government institutions should back or, if necessary, found independent broadcasting stations - and help moderate parties reach out to Bosnia's

widely scattered refugees. None of this would be simple. But the dream, implicit in the Dayton accord, of a reintegrated Bosnia will not be fulfilled by picking the right date for an election. It will be much harder than



## Fast drive out of the shadows

Korea's carmakers have ambitious plans to bury their reputation as poor relatives of their Japanese rivals, says Haig Simonian

y early next century, there is a one in five chance the car you will be driving will be Korean. By 2010, South Korea's leading carmakers plan to invest \$40bn (£26bn) on their vehicle subsidiaries to raise their output to at least 8m cars a year. Hyundai, Daewoo and Samsung,

the three leading manufacturers, each claim they will become one of the world's 10 biggest volume car-makers, putting them in the same bracket as established gients such as General Motors of the US and Toyota of Japan.

Such hyperbole is a feature of Korean business. You must see these figures as ambitions rather than fixed targets in the western sense," says Mr Peter Dill, head of the automotive practice at Boston Consulting Group in Seoul.

But he cautions: "You would be

foolish to dismiss them completely." By building vast new plants, buying in foreign talent and investing heavily in research and development, the companies are determined to overcome their reputation as poor relatives of the Japanese, making low quality, low-tech cars

Korea's carmakers - subsidiaries of the country's leading chasbols (industrial conglomerates) - have come a long way since they began producing cheap Japanese and western models under licence in the 1960s, Hyundai, Daewoo, Kia and Ssangvong, the country's four car manufacturers, produced 2m passenger cars last year. This makes Korea the world's fifth biggest maker, behind France but ahead of

Hyundai Motor, the country's big gest carmaker which started by making Ford Cortinas, now turns out a car every 13 seconds at its Ulsan plant, the world's largest carmaking complex. It expects to invest more than \$15bn on its plan to become one of the world's too 10 producers and plans to raise capac-ity from 1.45m cars a year to about 2.2m by early next century.

Daewoo Motor, the vehicles arm of Korea's third biggest chaebol, has even bolder plans. Its Vision 2000 envisages raising output which was 520,000 units last year to four times that level by 2000, investing at least \$10bn. At full capacity early next century, its vast new Kunsan complex should be building well over im vehicles a year.

plans of Samsung, the powerful electronics and industrial group which set up a carmaking subsidiery in 1994. It has bought sophisticated carmaking technology from Nissan, Japan's second biggest car company, which will allow it to create a modern and highly competitive range of vehicles. The group which has enjoyed a surge in profits in recent years thanks to its electronic subsidiary's sales of semiconductors - says it will spend \$16bn to build more than 2m vehicles a year

However, the Korean carmakers face some formidable challenges before they can realise their dreams of ranking alongside GM or Toyota. The first is rising costs after two decades of lightning expansion on the back of cheap labour and pliant unions. Korea's steadily increasing consumer prices, which have climbed five times faster than in Japan in the past five years and more than twice as quickly as in the US, have fuelled hefty wage rises. Bolstered by 1980s legislation granting workers the right to collective bargaining, average pay for

\$2,000 a month. In export markets, the Koreans are now facing the threat of competition from lower-cost producers in Malaysia and Indonesia. And the recent depreciation of the yen has restored some of the competitiveness of Japan's carmakers. At the same time, Korea's break-

assembly-line workers has soared to

for cars, is slowing. Gross national product this year should increase by 7.5 per cent - high by western standards, but much lower than the

double-digit rises of the mid-1980s. New car registrations increased by just 0.8 per cent last year and there are signs of market saturation. Moreover, as barriers to imports fall. Korean drivers are buying Even more ambitious are the more foreign cars. For years, Kor-

ean carmakers have been protected by a battery of import barriers, ranging from high tariffs to cumbersome bureaucracy and even the threat of tax audits for purchasers of luxury foreign models. Imports, at least of luxury vehicles, are now climbing sharply, albeit from a tiny base. The Boston Consulting Group reckons imports will reach 79,000

lthough Korean cars have improved significantly in quality and performance. they remain dogged by a poor reputation compared with technologically superior vehicles from

Japan, Europe and the US. The main reason for this has been the limited number of small Korean component suppliers, few of which have the economies of scale needed to raise their technology and quality to the levels of manufacturers in other countries. "Local suppliers are well below world standards, says a local stockbroker.

The dearth of decent suppliers has forced Korea's carmakers to produce a higher proportion of components for themselves than the Japanese or the best European manufacturers. However, they can sel-dom match the costs of a specialist company, which has eroded their price advantage over the Japanese and others. The car companies also have a poor reputation for customer

neck industrial growth of the past decade, which produced rising domestic affluence and fed demand But all four Korean carmakers on the state of the won appreciates. These plants could also help circumvent local tariff barriers. Daeare expanding their ranges to make them more exciting and to offer greater choice. Mr Mong-Gyu Chung, Hyundai Motor's chairman, argues his company has already jazzed up its exterior styling.

Hyundai has just launched the Tiburon, Korea's first domestically built sports coupe. Sales exceeded 4,000 units in its four weeks on the market against plans to produce just 1,500. Kia, the second-biggest carmaker, will launch its own convertible next month. Hyundai also plans to introduce a mini car next year and a multi-purpose people carrier by 1999. Daewoo, which will launch the first of three new generation models this year, says it will have a 15-model range eventually. And the carmakers are taking

steps to improve quality by increasing spending on product development. Mr Chung recognises the need to increase the "driver appeal" of his vehicles and admits "quality is the biggest issue for us". Standards for noise, vibration and harshness - the key criteria for judging ride and passenger comfort in the industry - still lag behind Japan and Europe, he admits.

The biggest manufacturers are selves against rising domestic costs by following the Japanese example of building more cars abroad. Daewoo, the most enterprising,

has bought a clutch of decrepit car factories in eastern Europe and the former Soviet Union. Mr Woo-Choong Kim, its group chairman, says the old plants will be modernised and made competitive. Hyundai is also expanding into India,

Turkey, Egypt and Botswana. The overseas outposts will provide low-cost bases for regional markets, such as the central Asian countries of the former Soviet Union. And they will protect the

woo's foreign rivals say it wrested favourable tariff terms on cars imported from Korea from countries such as Poland or Romania in return for promises of investment.

Mr Tae-Gou Kim, chairman of Daewoo Motor, confirms it has received favourable treatment. However, he argues the same concessions could have been achieved by any company taking on such risky investments in the first place. "I don't think that's very unusual The concessions are not unique or considerable," he says.

He can point to the success of Daewoo in entering much tougher markets since the company dissolved its carmaking joint venture with GM in 1992 to go it alone. For example, its sales have rocketed in western Europe, a market it could enter only last year under the severance terms of its agreement with

In the UK, Daewoo has recorded the fastest growth of any newcomer to the market since it opened for business in April 1995. It sold 18,000 cars in its first 12 months and took almost 1 per cent of the market. Meanwhile, the Koreans will con-

tinue competing aggressively on

improvements, such as modernisa tion of their older, less automated, car factories, which will partly mitigate their rising domestic costs. And despite the unionisation of assembly line employees, they continue to work long hours. Korean motor employees work 50 per cent more hours than their counterparts in Germany, according to Mr Ulrich Bez, a former top executive at BMW

and Porsche who is overseeing Dae-

woo's new car programme. The Koreans' plans for growth may look far fetched. But with their strong record of recent years, carmakers in other countries would be foolish to write off their ambitions.

## OBSERVER

### Dream team, but no time

The Italian presidency is making a mad dash to wrap up EU business before the European summit in Florence on Friday. No

For most of the past six mouths, the presidency was virtually invisible — with Lamberto Dini a. non-elected prime minister of a non-elected government. The new left wing government of

Romano Prodi has moved fast to fill the void... In the past forkight, Prodi has

been to Bonn, Paris, Brussels London, and Washington. He has been blessed by Chancellor Helmut Kohi, anothted by President Jacques Chirac and feted by President Bill Clinton at the White House Rather more taxing, he has tried

to persuade John Major to play ball in the beef crisis, and announced plans for Italy to rejoin the Exchange Rate Mechanism by the end of the year.

Meanwhile Dint, now foreign minister, has whized round the Balkans, and chairs today's special session of EU foreign ministers in And Carlo Azeglio Clampi,

another exprime minister, who has replaced Dini as treesury minister, is negotiating the fira's re-entry into the ERM. The Prodi-Dini-Ciampi team

raust be one of the strongest Italian beware. Maria Cattaui has just line-ups in years, but it has had barely a month to show what it can do running Europe. Hardly the way to make life easy, for themselves or other governments. But that has rarely been the mission of any presidency.

### Bottle battle

■ What is behind Boris Yeltsin's astonishingly feisty performance during the Russian election

He pulled himself together more than his supporters dared hope. Indeed, he was almost back to the figure of five years ago, who clambered atop a tank outside the Russian parliament to address his supporters.

The answer, according to visiting dignituries with a close eye on the workings of the campaign, is his abstinence from the vocks bettle. Not entirely voluntary, by all

Waiters had been instructed to place a glass of juice on all trays of drinks - and to make sure that all glasses filled with alcoholic brews were pressed on guests before the tray reached the president. And his family had a central role

Forward march W Governments of the world,

in the campaign. Keeping the

landed the secretary-generalship of the International Chamber of Commerce, the Paris-based global lobby for business interests. It has not taken Cattavi long

in find her feet since being squeezed out in February from the World Economic Forum, the organisation behind the schmoozerama for top business and government types that takes

over the Swiss ski resort of Davos every winter. So how much does the hitherto rather low-profile ICC know about

the woman who ruled the day-to-day operations of the WEF with an iron hand for 15 years? We expect her to introduce a great deal of dynamism to the ICC," says a spokesman.

The Chinese will be among the first to feel the Cattaui style. The ICC is holding its next world congress in Shanghai in April 1997. Expect military precision.

### Homesick

Who says people on Wall Street prefer money to friendship? Jack Kirnan, a leading auto stock analyst, resigned from his job at Salomon Brothers last Monday to take up a job with Merrill Lynch, a rival investment bank.

Yet by Friday Kirnan was pining for his old friends and rang Salomon to beg to return. He felt homesick, he said, a condition which, according to the rumours, a fatter pay cheque from Merrill

could not cure. Jim Crandell, head of research at Salomon, said Kirnan even offered to wash floors or shine shoes if only he could come back. Salomon rehired him on the same terms he had had before.

returning as a managing director and with the same compensation package. Within minutes he was back at Salomon and was greeted with applause when he appeared on the trading floor.

Meanwhile, there were some red faces round at Merrill. It had only that morning confirmed to the Dow Jones news wire that it had bired Kirnan. He had been recruited to replace Harvey Heinbach, Merrill's auto analyst who is retiring this

Kirnan joined Salomon in 1992, after six years at Kidder Peabody. Before that he worked at ... Merrill Lynch.

### Copper-bottomed

Daiwa Bank, which suffered a \$1.1bn loss courtesy of Toshihide lguchi's activities in the New York branch, is introducing an early retirement plan from September for workers who have given the company more than 10 years' service. Anyone over 30 may

A long time to wait for senior citizen status. Meanwhile, stand by all you twentysomethings at

## Financial Times

### 100 years ago Orange Free State

The rejection by the Free State Volksraad of the convention between Cape Colony and the Free State, whereby the Cape undertakes the construction of the Free State railways to the grain districts, is undeniably a rebuff to the Cape. The rejection is entirely the work of President Steyn, who, in submitting the convention to the Raad, said that be preferred to see the Free State build its own lines, and subsequently urged expropriation of existing railway, as it would give the State more power in South

### 50 years ago

Rising Output in France Labour's claim for an all-round 25 per cent increase in wages on the ground that industrial production has doubled since liberation has served to instigate comparisons between the present level of activity and that of 1938. They reveal a considerable improvement mainly dating from the termination of the European war. Output of coal and electricity as well as railway materials, rayon, certain types of glass and motor lorries exceeds that of pre-war. Railway truck loadings in recent weeks register 80 per cent of those in 1938, but on the other hand steel output is only around 60 per cent, and oil refining and silk weaving have not yet attained 50 per cent.

States facing delay may win partial membership | Leading

## Brussels sees E European nations in EU from 2002

By Lionel Burber in Brussells

The European Commission has identified 2002 as the earliest probable date for accession of former communist countries in centrai and eastern Europe to the

There were widespread hopes that the first wave of countries would be admitted in 2000, but the presumption in Brussels now is that an advance guard of the Czech Republic, Poland and Hungary will not join until at least

Economically advanced Malta and Cyprus have also applied for membership and are pressing to be in the first wave, along with Slovenia and Estonia

Disappointed candidates may be offered partial or "semi-permanent" membership, according to plans under discussion between France and Germany.

The consensus in Brussels, Bonn and Paris is that enlargement should proceed in phases, in line with the economic

warned after

bomb attack

Sinn Féin

strength and political maturity of candidates, rather than a single lean to a union of 25-plus members, according to senior EU din-

The later timetable also reflects concerns in Germany, the champion of EU expansion, which has found the costs of absorbing east Germany to be far higher than

One serious difficulty facing the EU is how to prevent tension between neighbouring "ins" and "outs" in central and eastern

An option is to invite disappointed applicants to join EU dis-cussions on home and foreign affairs as compensation. The 10 central and east Euro-

pean applicants are the Czech Republic, Poland, Hungary, Slovakia, Slovenia, Bulgaria, Romania and the Baltic states. Despite enthusiasm for a multispeed enlargement in western European capitals, the central and eastern Europeans are worried about delaying tactics.

The Commission's view that 2002 is the sartiest likely access sion date indicates that Nato enlargement will precede EU enlargement to the east.

The Commission argues that 2002 is realistic given the unprecedented complexity of conducting accession negotiations with as many as 10 former command national product is less than that of the Netherlands.

Other factors pushing for a delay are uncertainty over the outcome of this year's Maastricht treaty review conference, wrangling over the future size of the EU budget and politically contentique reforms of regional aid and the common agricultural

EU leaders have still to resolve whether to open accession negotiations with all 12 applicant countries or a select few. Leaders from all candidate

countries will attend the second day of the European summit in

## Time running out for accord on UK beef

Continued from Page 1

allowed back into talks on Tues day. The real world isn't like that." A senior UK minister added: "Everyone must now accept that what is demanded of Sinn Féin must be qualitatively different. We've all given them

Mr Bruton said the governments should leave the responsi-bility to Sinn Féin to find "the words and deeds that will convince people that there never will be violence of this kind in pursuit of political objectives". In his first response, Mr Adams did not specifically men-tion the bomb but repeated his call for Sinn Féin to be allowed to join the all-party talks, "This is a time for everyone committed in Ireland to dig deep and apply ourselves with greater determination to restore the peace pro-

cess," Mr Adams said. US officials said they, too, would take a "long hard look" at their approach to the peace pro-cess. Mr George Mitchell, the for-Wednesday to chair the first full ession of the all-party talks in which began acrimoni

ously on June 10. Mr Howard did not rule out a not seen in the province since 1976. Mr Andrew Hunter, chairman of the Conservative backbench Northern Ireland committee, said: "I do believe that if in theory, a justification for the use of internment, and the time can come for that to be used." ban ahead of summit

Time may be running out to secure agreement on a framework for a phased lifting of the ban on British beef exports and avoid the crisis overshadowing Friday's summit of European Union leaders in Florence, diplo mats are warning.

The beef crisis today enters its most crucial week since the ban was imposed on March 27, with a frantic round of meetings fixed in an attempt to reach agreement by Friday.

EU leaders are anxious to end the most serious threat to rela-tions since the exchange rate mechanism crisis of 1992, and wold the Florence summit being "hijacked" by beef. The UK also wants to end its non-co-operation policy with EU business, but will do so only when it has a satisfac-

Contacts continued all weekend between European Commission and UK officials, following a though with some reservations from EU veterinary experts last Friday to the UK's eight-page,

five-step framework.
Officials warn time is short. They say the UK insistence that any framework agreement should include a commitment to early completion of the first step - lifting the ban on exports to non-EU ters. The Commission fears it will exported to third countries from being re-exported into the EU.

The best Mr John Major, UK prime minister, may be able to secure at Florence is a "fig leaf" commitment to agreement based on the UK document, once details

have finally been agreed.

It is uncertain whether this would be enough to end the UK's blocking tactics.

eral stages this week: Today: EU foreign ministers in Rome discuss the UK's framework document, and vets' reac tions, over lunch

Mr Jacques Santer, Commission president, is also expected to hold discussions with Mr Malcolm Rifkind, UK foreign secre-tary, and Mr Lamberto Dini. foreign minister of Italy, which holds the EU presidency. Tomorrow: European commis-

sioners in Strasbourg will hear reports from Mr Franz Fischler, agriculture commissioner, and from Mr Santer, before attempting to agree a proposal for agree

Court of Justice in Luxembourn will hear the UK's complaint that the Commission exceeded its powers in imposing the ban - but is unlikely to rule on whether to pend the ban, pending a full hearing, for another fortnight. In ls, veterinary experts will try to reach qualified majority nt on the UK's 120-page olan for eradicating BSE, or

will consider the Commission's framework proposal.

## official of German trade union set to quit

By Andrew Fisher in Frankfurt

Mr Werner Schreiber is expected to quit as treasurer of the engineering union after a magazine report yesterday claimed that the union lost around another building on which it had signed a long-term contract.

The union said Mr Schreiber's decision to go was a direct result of an article in Der Spiegel, the weekly magazine, which reported on the results of an internal inquiry by IG Metall into the property deals. It said he would ign at a meeting of the union's executive today.

federal supervisory office for securities trading, responsible for rooting out insider trading which it then did not occupy. IG Metall, which did not comment on the contents of the report or its own inquiry, said Mr

sions to draw from the internal audit without regard to his per-Mr Klaus Zwickel, union president, said he respected Mr Schreiber's decision to resign, which was taken regardless of whether he was personally at fault. He said IG Metall, which

Zwickel's predecessor, Mr Franz Steinkühler, was also implicated in the union's inquiry which concluded that the transactions were

Metall president in 1993 after holding company - Mercedes AG Flolding (MAH) - just before the action involving MAH which caused its shares to rise sharply. he was a member of the Daimler-

A leading official of IG Metall, Germany's biggest trade union, is expected to resign over heavy losses on property deals relating to its Frankfurt headquarters.

DMI30m (\$84m) by overpaying for its new building and estate agent costs, and failing to occupy

The magazine, which released the article shead of publication today, said IG Metall had paid headquarters in a commercial suburb of Frankfurt - DM90m more than its market value. It had reportedly also paid the estate agents DM10m too much. In addition, the union had lost DM30m by signing a lease on another Frankfurt office building whose tenants now include the

Schreiber was resigning so the union could discuss what conclu-

has some 3m members, would deal with its own report this Friday and draw any necessary les-sons from past mistakes.

inadequately supervised and car ried out unprofessionally. Mr Steinkühler resigned as IG

Benz supervisory board.

Although he denied insider trading, he felt obliged to resign when news of his dealings emerged. This was before the insider trading body had been set up and insider trading became a

### THE LEX COLUMN

## Berlusconi's blockbuster

The prospectus for former Italian prime minister Mr. Silvio Beriuscon's television group Mediaset has all the elements of a Hollywood blockbuster. There is political intrigue: can Mr Berlusconi's company persuade his political enemies in the government to overturn or defer a constitutional court judgment forcing the sale of one TV channel? There is corporate intrigue: how can Mediaset justify an amortisation policy at odds with all other European media companies, but substantially boosting Mediaset's profits? And there is no shortage of colour, such as the fact that four of Mediaset's 21 directors are under investigation

for false accounting.

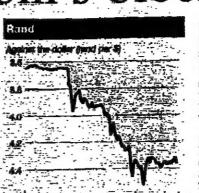
The prospectus is brutally honest, indeed, it is hard to locate the sales pitch. The tax rate will rise from 21 per cent in 1985 to 45 per cent this year. The Italian television market looks mature, competition is set to increase and advertising revenue growth is already lagging behind the competition. Moreover, growth in earnings before interest, tax and depreciation/amortisation has been merciting over the past three years. The biggest attraction is the opportu-nity to build on Medianet's existing infrastructure for a third mobile talecoms network. But the licence has yet to be won, while the pay-back would be very long-term.

That is not to say Mediaset's shares may not go up. Mr Berlusconi's 1994 Mondadori share offer lost investors considerable sums. But shares in his financial services business Mediplanum have risen 38 per cent in the fortnight since flotation. Meanwhile his TV network is doing a great job promoting the Mediaset issue to Ital-ian investors. Given their risk profile, however, it is hard to see the shares as investment grade.

### South Africa

Friday's economic package from the South African government was conspicuously longer on reassuring generalities than on specifics. But the mar-kets' downbeat reaction still looks overdone. At the very least, investors new finance minister, should have been soothed by a document of which most could have come from an inter national Monetary Fund textbook.

For a start, the government's new deficit target - 8 per cent of gross domestic product by 1999 - is genn inely tough. To meet it, against background of slowing growth and ambitious infrastructure plans, Mr Manuel will have little choice but to embark on a pretty aggressive



shake up of the public sector. Like-wise, the stress on flexible labour markets looks a ringing shot across the bows of the powerful unions.

Just as important is the plan to use the rand's recent fall as an opportumiy to cut twiffs faster. If the govern-ment can pull this off, it should min-imise the inflationary impact of the depreciation while keeping up pressure on South African industry to

sharpen its competitiveness.

Politically, this will all be tricky stuff without more concrete propos-als, sceptics are right to question whether the government can deliver. Its very cautious move on auchange privatisation, and to the impres control, and wishy-washy words on hesitant nettle-grasping. But the framework could hardly be clearer: nothing in the document suggests the government thinks South Africa can spend its way out of its problems. For such investor-friendly thinking, an ounce more confidence is justified.

### UK conglomerates

UK conglomerates have not lost their capacity to disappoint, Since 1990 the sector has dropped 41 per cent against the market, and the decline is accelerating. In 1995; Hanson dragged the sector down, as it became clear that its dividend was unsustainable. Now the rot has agreed to BTR, which has seen its shares fall 20 per cent since the start of the year.

Conglomerates, it is said, are just out of fashion. But the recent success of Granada and Bass demonstrates that diversification is not in itself unpalatable. Investors do, though want to see management grow their businesses. Conglomerates such as Hanson, Tomkins and perhaps Williams relied on equeezing margins in mature businesses rather than investing in growth, and were built on a stream of acquisitions. But turn-

around targets are harder to find and investors have had enough of backing mediocre deals with new equity, BTR has been converted to investing in technology and geographical diversifi-cation, but it is saddled with a labyrinthine structure, dilutive warrant issues and an excessive dividend which must constrain investment.

Ironically, these break-up artists of the 1990s are looking vulnerable to break-up themselves. Hanson is the only FT-SE 100 conglomerate trading at a premium to UBS Securities' estimated break-up values, underlining the perception that central manage ment is actually subtracting value Until these companies can demonstrate greater focus, flexibility and an ability to get a decent return from investing in their existing businesses, the sector will struggle to regain its

### Tobacco companies

For a mature industry, tobacco is generating quite some growth. Philip Morris, the world's largest cigarette maker, last week predicted a 20 per cent increase in worldwide sales by the turn of the century. In the first five months of 1996, the US group saw cigarette volumes outside its mature home market jump 12 per cent. Nor is the UK's BAT Industries far behind: it reported a 9 per cent rise in tobacco profits for the first quarter of 1996. While demand in North America

and Europe is static or declining, this has been more than made up by growth in developing countries, where consumers are switching to western style cigarettes. The multinationals, including Philip Morris, BAT and R.J. Reynolds (part of RJR Nabisco) are already well-established in central European countries such as Poland and Hungary. But they have as yet hardly touched China, the world's largest market in unit terms, with an annual consumption four times greater than that of the US.

Of course, litigation remains a concern. BAT alone has fought 700 law suits in the past 40 years. But the tobacco industry has yet to lose a case and won a significant victory last month when the Castano class action was dismissed. At present, litigation is almost entirely confined to the US making it more of a risk to sentiment

than to profits. Despite this benign outlook, the sechas performed poorly this year. BAT shares in particular have underperformed the UK stock market and now stand at a 30 per cent discount to the market average, while yielding 50 per cent more. They deserve better.

### Europe today

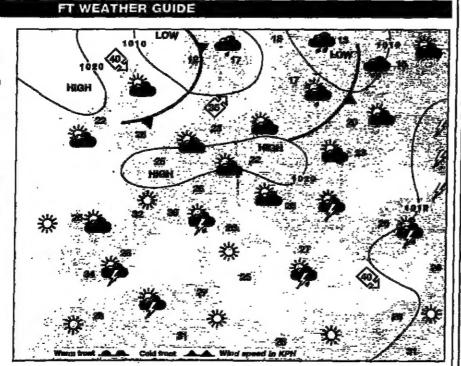
Most of the continent will be sunny but a new low pressure system will bring cloud and rain to north-western Europe, Norway will have the rainy periods developing during the day. wers will occur in north-western Sco Western and central Europe will also have frequent sunshine with temperatures ranging from 22C in the North Sea countries to 32C in southern France, The Mediterrance and the Balkans will be sunny and warm but a few thunder showers will occur in Spain, the southern Alps, Greece and Romania. In Russia, the Moscow region will be cloudy with

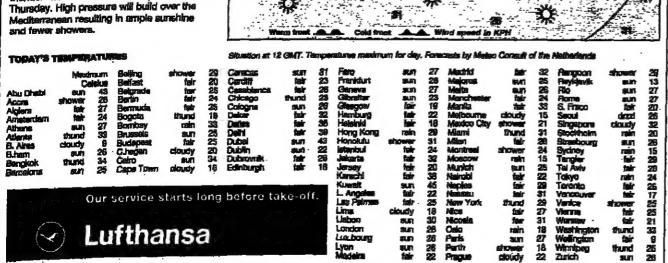
### Five-day forecast

EX British with the month of the control of the con

COP Tiva Tel;

Scandinavia will be changeable and rather cool with frequent periods of rain. Cooler air will penetrate into the British Isles and the northern regions of central Europe, promoting pertly cloudy skies and an occasional shows tomorrow and on Wednesday. A low with Thursday. High pressure will build over the Mediterranean resulting in ample aunshine







The C-130J, the new generation of the legendary Hercules, will soon start powering 21 ton loads skywards following its successful maiden flight. Commenting on Dowty's all-composite swept-blade propeller system and the Rolls-Royce Allison AE 2100D3 engines, Lockheed Martin's test pilot reported: "This new integrated system is a dream come true. The amazing thing is that the blade angles on all the angines all respond to the four power levers as if they were tied together. Even more impressive is that the propellers provide approximately 10% more thrust at the same horsepower." This knock-out performance should ensure orders worth \$500 million to Dowty.

Downty is one of Tl Group's three specialised engineering businesses, the others being Bundy and John Crane. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.

